

Australia	Oct. 18	Indonesia	Rs 2500	Portugal	Esc 80
Belgium	Dr 3,950	Iceland	L 1300	S. Africa	R 6,00
Canada	57,42	Japan	Yen 100	Singapore	S\$ 4,10
Cyprus	Cts 1,60	Kuwait	Dr 500	Spain	Pta 110
Denmark	Dr 7,25	Lithuania	Dr 1,000	Sri Lanka	Rs 50
Egypt	£21,00	Malaysia	Rs 2,50	Sweden	SEK 8,50
Finland	Fr 2,00	Morocco	Dr 4,25	Switzerland	Fr 2,20
France	Fr 7,70	Moscow	Rs 300	Turkey	TL 100
Greece	Dr 70	Montevideo	Dr 6,00	U.S.S.R.	Rs 300
Hong Kong	HKS 12	Montreal	Dr 2,25	Tunisia	Dr 1,20
India	Rs 15	Monrovia	Rs 6,00	U.S.A.	Dr 6,50
		Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday September 2 1985

No. 29,716

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Nuclear tests: the
silly season
excels itself, Page 15

World news

French train driver charged

The driver of a train that crashed in central France, killing 42 people, at the weekend has been charged with manslaughter. However, the examining magistrate in Chateauneuf allowed him conditional freedom.

The magistrate announced his decision after more than five hours of hearings with Jean-Yves Brisset, 37, whom railway officials blamed for the crash in Argenton-Creuse.

According to the public prosecutor, the driver might face from one month to two years in jail. The accident was the third in less than two months on France's SNCF state-run railway.

Solidarity call

Poland's outlawed trade union Solidarity wants to revive debate and re-open dialogue with Communist authorities to pull the country out of crisis, union leader Lech Wałęsa said in Gdańsk. Page 2

Gunman confesses

Palestinian gunman arrested in Athens on Friday carrying a suitcase containing an automatic gun, ammunition, a grenade and a flick-knife, has confessed to police to planning to assassinate Awwad Al-Khalil, Jordan's ambassador to Greece.

Hurricane fears

Hurricane Elena, which is threatening Florida, was lurking 50 miles out at sea and perplexing forecasters as to when and where it would move. More than half a million residents and tourists have been forced to flee inland.

Satellite repaired

Two astronauts aboard the U.S. space shuttle Discovery have successfully completed a repair in orbit of a crippled satellite during a record seven-hour space walk.

Soldiers wounded

Two members of the Israeli-backed South Lebanon Army (SLA) militia have been wounded by a land mine inside Israel's "security zone".

Election forecast

Sweden's Social Democratic Party will win the general election on September 15, but with reduced support, according to the first forecast of the election published at the weekend by one of the country's leading opinion research institutes. Page 2

Hungary visit

U.S. Agriculture Secretary, John Block has begun a two-day visit to Budapest at the invitation of his Hungarian counterpart Jeno Vancsa.

Mid-East tour

West German Foreign Minister Hans-Dietrich Genscher has arrived in Kuwait from Syria on the second leg of a Middle East tour with officials pledging that Bonn would do all it could to promote peace in the region.

Ex-minister dies

Sir Mohammad Zafarullah Khan, Pakistan's first foreign minister, has died in Islamabad, aged 82. He was a former president of the United Nations General Assembly and of the International Court of Justice.

Tibetans protest

Hundreds of exiled Tibetans staged an angry demonstration outside the Chinese Embassy in New Delhi to protest against celebrations marking the 20th anniversary of Tibet's designation as a Chinese autonomous region.

Race driver killed

West German motor-racing driver Stefan Bellof died after his car collided with another vehicle and smashed into a barrier during the Spa 1,000-km sports car race at Francorchamps, Belgium.

Business summary

BI-Invest formally gives up control

BI-INVEST, the Milan-based financial group, has formally surrendered to Montedison, Italy's giant chemical group, which already owns 38.8 per cent of the company. Montedison is to consolidate its grip on the company by acquiring the shareholdings of the Bonomi family, estimated at round 32 per cent. Sig. Carlo Bonomi has been re-appointed as chairman and managing director of BI-Invest. Page 16

EUROPEAN Monetary System: The Milan-based group remained the weakest member of the EMS last week although it showed a small increase in capital repayments by the bank, saying that it was necessary to close the possible conduct that stock exchange disinvestment might offer.

During the four-month freeze, South Africa would appoint a senior international banker as an intermediary to negotiate the rescheduling of its debts.

From today, the reserve bank would "spot exchange rates against the U.S. dollar", but the minister said that was likely to be a "very temporary measure, pending developments in the foreign-exchange market".

The minister denied that Dr Gerhardi de Kock, Governor of the South African reserve bank, had tried to raise credit lines from international banks in recent days. He said the Governor had merely travelled abroad to brief foreign central and commercial banks on the strategy South Africa intended to adopt.

The minister said the central bank would be an active participant in the foreign exchange market when dealing resume today. But he declined to forecast at what level the rand was likely to take.

He described the reintroduction of the two-tier exchange-rate system as a consequence of the freeze.

Improvement against its central rate from the week before. A fall in the Belgian inflation rate injected confidence, while a firm trend in the U.S. dollar depressed the D-Mark and lessened pressure on the weaker members. Trading was rather quiet for much of the time as business volume declined ahead of a long weekend in the U.S.

On European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the first) may move more than 2½ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO share prices moved slightly ahead in quiet trading in Saturday's half-day session. The Nikkei Dow index closed 3.37 higher at 12,716.32. Page 22

MEXICO plans to continue trying to improve conditions for paying its debts. President Miguel de la Madrid said: "It agreed rescheduling of half its \$66bn debt last week. Page 3

GREEK Premier Andreas Papandreou hinted for the first time that the country's economic problems might require a rescue by the IMF unless public and private sectors tightened their belts. Page 2

AUDITORS for Playboy Enterprises, publisher of the U.S. Playboy magazine, intend to qualify the group's accounts for the year to June 30 because of uncertainty over the company's ability to collect income due on a \$37.9m note. Page 15

FORGE of Germany, the offshoot of the U.S. motor group, forecasts continued losses for the current year and 1986 but looks to 1987 for a return in profitability. Page 17

PHILIPPINE Supreme Court has ordered the central bank's monetary board to suspend liquidation proceedings against Banco Filipino Savings and Mortgage Bank, the country's biggest savings bank. Page 17

PROTEA ASSURANCE, the South African subsidiary of the British Sun Alliance group, increased premium income and profits in the six months to June, largely because of a merger with Phoenix Assurance's South African arm. Page 20

BANK NEGARA, the Malaysian central bank, has issued a new directive restricting the ownership of banks. Page 17

WE REGRET that closing share prices from North America - with the exception of Montreal - were not available for this edition due to a communication failure.

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COUNTRY 'QUITE CAPABLE OF REPAYING'

Pretoria imposes 4-month freeze on loan repayments

BY TONY HAWKINS IN PRETORIA

SOUTH AFRICA last night imposed a four-month freeze on all foreign loan capital repayments and reintroduced a two-tier exchange rate system to discourage stock exchange disinvestment.

At a news conference, Mr. Baerends du Plessis, Finance Minister, said the freeze was the result of the refusal of certain foreign banks to renew credit facilities previously made available to South African banks.

He said that, while South Africa was quite capable of repaying its debts, the refusal of foreign banks to roll over loans had created a serious cash-flow problem.

The minister denied that Dr Gerhardi de Kock, Governor of the South African reserve bank, had tried to raise credit lines from international banks in recent days. He said the Governor had merely travelled abroad to brief foreign central and commercial banks on the strategy South Africa intended to adopt.

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OVERSEAS NEWS

Social Democrat win forecast in Swedish election

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN'S Social Democratic Party will win the general election on September 15 but with reduced support, according to the first election forecast published over the weekend, and will keep control of the votes of the Communists in the Riksdag, the Swedish parliament.

This year's election is an important test for Mr Olof Palme, the Social Democratic Prime Minister, who has already suffered the ignominy of leading the Social Democrats to two defeats (1976 and 1979) since he took over leadership of the party in 1969.

In its first election forecast IMU, one of Sweden's leading opinion research institutes, says that the Socialist "bloc" will win 49.9 per cent of the popular vote compared with 47 per cent for the three non-socialist parties, the Conservatives, Liberals and Centre.

The Social Democrats, who returned to power in 1982 after six years in opposition, are expected to gain 44.4 per cent of the vote, compared with 45.6 per cent three years ago.

The trends of the IMU forecast are confirmed by a second opinion poll taken by Sifo, the Swedish Opinion Research Institute, but it suggests that the gap between the two blocs is much smaller.

The Social Democrats have staged a strong recovery in successive opinion polls this

year after trailing badly for much of 1983 and 1984. In the 1983 election, the socialist bloc won 51.2 per cent of the vote, compared with 45 per cent for the non-socialists, during their six years in power.

Sant Longowal was shot by Sikhs extremists after concluding a deal with Mr Rajiv Gandhi, the Indian Prime Minister, to settle the Sikhs' economic and political demands and end

three years of mounting violence.

The respect he won throughout the country for daring to strike that deal was demonstrated yesterday by the Sikhs' political leaders such as Mr A. Vajpaiye of the Bharat Janta Party and Mr Banskiranma Hedge of the Janta Party joined with top Sikh leaders on a hot monsoon day to form one of the biggest crowds seen in India for many years. Official estimates put the total at over 500,000 people.

Militant Sikhs youths, wearing saffron coloured turbans as a mark of protest against the army's storming of the Amritsar Golden Temple 14 months ago,

mixed with the Nihang warrior class who wear brightly coloured skirts and carry large ceremonial swords, and masses of the Jat farming caste, the crowd were generally quiet and there was no violence.

After morning prayers and chanting of readings and hymns from the Sikh's bible, the Granth Sahib, the high priest, sat impassively on a podium in a huge tent while the politicians made their speech. Thousands of people filed past, making offerings of small denominations rupee notes onto the floor.

But the politicians also had other work to do and the area alongside the podium, covered

in large white sheets, resembled a mini political convention. Top power brokers in the Akali Dal (L), the Sikh's main party that was headed by Sant Longowal, haggled and argued about the allocations of candidates' seats for imminent elections to Punjab's State Assembly and the national Parliament in New Delhi.

Their party is called the Akali Dal (L) after Sant Longowal, to differentiate it from a more extremist and fragmented splinter party called the United Akali Dal headed by Baba Jaginder Singh, father of Jarwan Singh Bhindranwale, the leading extremist who was killed in the Golden Temple battle.

Leaders such as Mr Gurcharan Singh Tobra, president of the management committee that runs Sikh temples, and Mr Parkash Singh Badal, a former Punjab chief minister, who was headed as 70 of the 117 seats in the State Assembly, defeated Mr Rajiv Gandhi's Congress (I).

They said that they had an electoral alliance with Mr Gandhi. They also rejected rumours that Mr Gandhi has agreed that Congress (I) would share power with the Akali Dal (L) if it wins, in order to reduce the risk of fresh Akali agitation and extremism.

"We would never join up with Congress (I)," said Mr Badal. Both parties are now being careful not to appear too close as the election campaign warms up—candidates are now being announced and electioneering formally starts on Thursday for polling on September 25.

Significantly Congress (I) did not send any delegates to speak at yesterday's ceremony. Mr Arjun Singh, the Punjab governor who is a senior Congress (I) figure, only attended briefly to deliver messages from Mr Gandhi and Mr Zail Singh, India's Sikh President, which were read out by Akali officials.

Evren opposes political amnesty

PRESIDENT Kenan Evren, addressing a new session of the Turkish Parliament yesterday, defended the country's limitations on democracy and opposed an amnesty for political prisoners. Reuter reports from Ankara.

The IMU poll forecasts a share of only 13.7 per cent for the conservative centre ticket, compared with 15.5 per cent in the 1982 election and 18.1 per cent in 1979.

The Swedish Conservative Party, which has been campaigning hard for lower taxes and a "change in spirit" in Sweden, is forecast to win 25.2 per cent of the vote, compared with 23.6 per cent in 1983 and 20.3 per cent in 1979.

Solidarity wants to revive dialogue, says Walesa

FIVE YEARS after it was founded, the outlawed trade union Solidarity wants to revive debate and re-open dialogue with Communist authorities to pull Poland out of crisis, Mr Lech Walesa, the union's former leader, said.

"What we are driving at is solving problems at the conference table," Mr Walesa declared. Arriving through force was not Solidarity's intention but if there was no response to the union's peaceful efforts, then it might need to resort to

democracy.

In Krakow yesterday, police broke up a march of about 2,000 people and more than 1,000 demonstrated in Warsaw.

"This kind of weapon is always at hand but we should use it in a reasonable way," Mr Walesa added.

In Gdansk, where Solidarity was born out of the shipyard strike of August 1980, some 10,000 people attended celebratory masses and opposition leaders reported a demonstration in the western city of Poznan.

He argued that the press was free to make its voice heard despite continuing martial law.

Most right-wingers jailed fell under other sections of the criminal code.

The unrepresentative nature of the Assembly is one foreign criticism of Turkey, but Mr Evren said he was opposed to early elections demanded by the non-parliamentary opposition.

He argued that the press was critical of West German agencies and their leadership

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OVERSEAS NEWS

ADMINISTRATION FAVOURS TALKS WITH ANC

U.S. hardens policy towards South Africa

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration has underlined the importance of releasing Mr Nelson Mandela from prison and hinted that it favours including the outlawed African National Congress in political negotiations about South Africa's future.

The comments, made by a State Department official at a briefing for reporters, were seen by some observers in Washington as indicative of a hardening of Administration policy towards South Africa on the eve of meetings which State Department officials are due to have with Mr Gerhard de Kock, head of the South African central bank.

Asked yesterday whether the Reagan Administration would back financial support for South Africa by either the Federal Reserve Board or the Inter-

national Monetary Fund before the South African Government showed signs of movement towards meeting U.S. demands, the State Department official said the question could not be addressed until later this week, but was valid.

The uncertainty which still hangs over who precisely Dr de Kock will be seeing in Washington is indicative of the atmosphere surrounding his visit. The State Department has confirmed only that a senior official will meet with the central banker. The South African embassy in Washington said yesterday that it could shed no light on Mr de Kock's movements.

There is a growing feeling here that Mr de Kock's mission to the U.S. which is seen to have been aimed at trying to

secure some form of financial support for the South African Government, is proving far more difficult than the South African Government may have anticipated.

The State Department decision on the eve of Mr de Kock's arrival to emphasise the importance it attaches to the South African Government taking steps such as the release of Mr Mandela, which it is unwilling to take, is seen as a sign of the hard line officials who are taking in the face of the South African Government's refusal to open up political dialogue in South Africa.

Just as bankers in New York are indicating that the political climate in Congress towards South Africa makes it difficult for them to provide financial support, it is argued that poli-

cal pressures will make it difficult for the Federal Reserve Board, under the chairmanship of Mr Paul Volcker, or the International Monetary Fund, to act either.

The Fed must answer to Congress for any decisions it takes, while the IMF must always take into account the impact of any decisions it takes on Congressional votes over U.S. funding of the institution. IMF support for South Africa at this juncture, which would amount to helping to bail South Africa out of an economic mess precipitated by political upheavals over apartheid, could divide the institution internally.

It could also provide yet another rallying point for Third World opposition to IMF policies which are perceived to be dictated by the industrial

countries.

The Reagan Administration is

now coming under heavy fire

for the constructive engage-

ment policy it has adopted

towards South Africa, a policy

which has already been over-

aken by events in the financial

markets.

A Newsweek magazine poll to

be published today is indicative

of mounting criticism of the

white South African Govern-

ment which has been fostered

by the violent scenes Americans

have been seeing nightly on

television. Although a majority

(62 per cent) of those polled by

the Gallup organisation regis-

tered their approval of Presi-

dent Reagan's performance, 42

per cent favoured economic

sanctions against South Africa

something the President

opposes.

Oil Minister hopes for reappointment after Nigerian coup

BY PATTI WALDMEIR IN LAGOS

PROF TAM DAVID-WEST, oil Minister under the ousted regime of Maj-Gen Muhammadu Buhari in Nigeria, appears confident that he will be re-appointed to the post when the new Nigerian Cabinet is announced, probably this week.

He said in an interview at the weekend that if called again to serve, he would.

However, it was understood in Lagos that no final decision has yet been taken on the matter and that at least one other candidate was being seriously considered.

Prof David-West is credited in Nigeria for having successfully negotiated an increase in Nigeria's crucial Opec production quota to 1.45m barrels per day (b/d) last autumn from 1.3m b/d previously (although Opec continues to insist that this increase was only temporary and has since reverted to 1.3m) but his image within the organisation is as one of the less forceful of the ministers who gather periodically to determine Opec's policy.

His staunch opposition to the controversial countertrade policy of the ousted regime (some \$2bn in oil-for-goods swap deals were signed and agreed in principle before last Tuesday's coup) could also be a positive factor, Maj-Gen Ibrahim Babangida, the new President, adamantly opposed such deals within the former Supreme Military Council on the grounds that they were costly and open to corruption, and he has pledged to review the policy.

Officials of oil companies operating in Nigeria are anxiously awaiting the appointment of a new oil minister to determine whether negotiations for a crucial increase in their allowed profits margin on the sale of Nigerian crude will be finalised.

Talks on changing the complicated formula which would have, in effect, increased the margin by up to \$1.30 cents per barrel from \$2 per barrel presently were at an advanced stage just before the coup. The

Ugandan leaders to renew talks with rebels

PEACE TALKS

Egypt increased the price for its crude oil for September, a senior official of the Egyptian General Petroleum Corporation said yesterday. The price of light crudes was increased to \$25.63 a barrel from \$25.25. The price for the heavier Faluya and Butan grades would be \$24.55 a barrel, an increase of 30 cents, while Ras Ghareb oil would rise 25 cents to \$23.25. change could have an important impact on Nigeria's production in the short term, and especially on exploration and development activities which have been seriously neglected, company officials argue, because profit margins were too narrow to merit such investment.

Production has fallen to less than 1m b/d last month from an average 1.6m b/d in the first quarter of this year with oil companies in Nigeria reducing liftings sharply because the differential between Nigeria's official price and the spot market price at which they were forced to sell a large portion of their production meant that the companies were losing money.

The fall in production since the beginning of the second quarter has left Nigeria with insufficient foreign exchange resources to meet current trade payments which bankers say have been delayed by as much as 120 days recently.

Regan confident

Mr Donald Regan, President Reagan's Chief of Staff, said in a magazine interview he expected the U.S. economy would improve through first half 1986, but he expressed concern about continued high interest rates, Reuter reports from Washington.

"My own feeling is that the economy will be good, continuing through the first six months of 1986," he said in an interview with U.S. News and World Report.

Singapore cuts taxes

The Singapore Government

announced lowered taxes on gasoline, diesel and fuel oil, and widened the scope of a previously announced 30 per cent property tax rebate, in response to the continuing slowdown in the country's economy, according to the Sunday Times newspaper, AP-DJ reports from Singapore.

Speaking Saturday in Parliament, Mr Goh Chok Tong, first deputy prime minister, revealed the Government would forgo some \$340m (£127m) because of the new tax changes.

Unrest in Bolivia

Bolivia's three-week-old centrist government put out an alert to combat growing labour unrest, even though measures to fight high inflation were to be taken.

Mexico's foreign reserves stood at \$5.6b yesterday, the President reported, down from more than \$8bn a year ago.

Disappointing exporters he refrained from voicing support for Mexico's entry into the General Agreement on Tariffs and Trade. His Commerce Minister recently argued publicly in favour of Gatt membership, which was debated and then rejected by Mexico's previous administration in 1982.

Instead, Sr de la Madrid declared that while his administration opposed protection for inefficient local manufacturers who "punished the consumer with high prices and low quality," it intends to maintain Mexico's traditional economic strategy of import substitution.

Kenyan prices raised

The Kenyan Government

increased production costs, has raised the price of bread by almost 16 per cent and the price of cornmeal by more than 30 per cent, AP reports from Nairobi.

Kuwait to mediate

Tunisia has accepted

Kuwait's proposal to hold talks on its dispute with Libya over the expansion of thousands of Tunisian migrant workers, diplomats said yesterday, Reuter reports from Tunis. They said Libya had not officially accepted the proposal.

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"When my boss got back from Los Angeles, something special happened."



"He said, 'Thank you'."

Not for nothing is my boss known as 'Old razor mouth'

Two weeks ago he stuck his head 'round the corner and

barked, 'Dallas/Fort Worth. Chicago. San Francisco. Los Angeles.

San Diego,' like the headmistress reading the register.

Since he travels a lot I should have known better than to ask,

"What about them?"

He handed me a list of dates. "I leave tomorrow." It was like

being given *The Times* and told to solve the crossword in half

an hour. Errors would be punished.

The travel agent was very helpful. She sorted out an itinerary within 15 minutes; I felt a bit more confident when I handed him the tickets. "All your flights are listed and your seats reserved.

You're on American Airlines all the way. Just show up at Gatwick tomorrow. Your flights at 10:35."

"Wonderful," he said, exactly the way you compliment a waiter who's brought you a hamburger when what you've ordered is steak.

To be honest I'd never heard of American either but I repeated what the travel agent told me. "They're one of the biggest airlines in the world. Over 100 destinations in North America. All your flights are at what should be convenient times for your meetings. They were booked on American Airlines' computerised reservation system, SABRE. If you need to rearrange anything just phone American in the city you're in, and it will be done."

He looked at the American Airlines' on the ticket wallet and muttered, "Gatwick, indeed."

So you'll understand why I wasn't exactly looking forward to his majesty's triumphal return this morning after a night on the plane.

But surprise, surprise. He'd brought me a present. At least I think it was a present.

"Thank you for the... ummm... thing, sir. How was the trip?"

"Fine. We'll fly American again. Now if you don't mind, we have work to do."

The old sharpness was still intact. Miss Ruth Harvey

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WORLD TRADE NEWS

Move to smooth path for Gatt round starts today

BY WILLIAM DULLFORCE

HEADS of mission from the world's principal trading nations embark here today on a week of intensive consultations aimed at smoothing the way for a high-level meeting of the General Agreement on Trade and Trade (Gatt) to launch a new round of international trade negotiations.

The most likely date for the opening of the special session of the Gatt contracting parties demanded by the U.S. is September 30.

But several of the U.S.'s main supporters in the European Economic Community and Japan would like to reach a preliminary understanding with a small group of developing countries led by Brazil and India. This group blocked the convening of a preparatory meeting in the Gatt council in July.

Last week the U.S. secured majority backing for its manoeuvre to break the deadlock, when more than 50 of Gatt's 90 members concurred with its call for a special session of contracting parties to decide on the subject-matter and modalities of a new Gatt round of trade talks.

Mr Felipe Jaramillo, the Colombian chairman of the contracting parties, is empowered to call the session at 21 days' notice. If the September 30 date favoured in the Gatt Secre-

tariat is to be met, the invitations will have to go out a week from today.

Over the next few days, Mr Kazuo Coda, Japanese chairman of the Gatt Council, and Mr Tran Van Thinh, the EEC Ambassador, will try in informal discussions to come to terms with the Brazilians and Indians over the agenda for the special session. In particular, they will tackle the vexed question of how trade in services is to be handled.

The developing countries are not against new negotiations to improve trade in goods, but they have not aligned with Brazil and India has consistently opposed U.S. insistence that services should be included in the new round and that rules for trade in services must be elaborated under Gatt.

U.S. officials hope that the Brazilians are now prepared to revive the "twin-track" proposal put forward by Sr Olavo Setubal, Brazil's Foreign Minister, at an informal meeting in Stockholm in June.

He had suggested that services and goods could be dealt with in separate but parallel negotiations under the aegis of Gatt.

By calling for a special session of contracting parties, the U.S. has achieved a double purpose;

it has set the new round of trade talks moving again and has probably ensured that the new round will take on board trade in services.

SHIPPING REPORT

Market shows hopeful signs

BY JOAN GRAY

SOME SIGNS of optimism and improved activity have become apparent in the shipping market, as the summer holiday season draws to an end.

The momentum of last week has continued, particularly from the tanker trade in the Arabian Gulf, where several units have been concluded for East and West destinations.

More good news comes from reports that the coup in Nigeria does not seem to have had any major effect on the market.

"Indeed, if anything, more cargoes have been available, in several instances on a 'private' basis," says Galbraith's tanker market report.

"Shell London has finally covered a cargo of 78,000 metric tons, loading Nigeria to UK

Continent or Mediterranean, at Wardscale 54, while Agip on a similarized cargo from Djeno to Italy — have yet to conclude," it says.

In the Mediterranean, business has been slow to develop throughout the week, although rates for loadings in the Caribbean Sea have improved.

The clean oil market has been confined almost exclusively to the Caribbean and Far East, with extremely limited business concluded from the other main loading areas.

Indian ship-breakers have been active this week and appear to have covered their most immediate requirements, although Taiwan breakers have been notably quiet.

On the bulk-carrier side, the

freight market has been notably slower and has done little to fulfil last week's promise.

With the pressure now off for August, demand for grain loaders in the north and south Atlantic looks like remaining fairly slack in the short run.

However, the earlier pressure in the grain trade for end-August tonnage has had a knock-on effect in the coal trades, with several fixtures concluded at slightly improved levels.

The ore market has been exceptionally slack this week with few fixtures and a lack of early inquiry. There is, however, a fair volume of forward inquiry on the market, with charterers aiming to take full advantage of current rates.

Japan's sales of electronic goods to China soar

By Carlo Raport in Tokyo

JAPAN'S sales of electronic appliances to China continue to soar. The China boom, however, is not expected to last much longer.

According to Japan's Electronic Industries Association, exports of colour television sets from Japan jumped 94 per cent in July over the same month in 1984 to 1,000 units. This is the all-time monthly high, outstripping the previous peak in April of 823,000 units.

The growth was mainly due to continuing demand from China, whose orders accounted for nearly 50 per cent of the total. China's shipments increased more than sevenfold in the month to 423,000 units.

Many industry executives believe, however, that China's purchases of electronic goods will tail off towards the end of this year as foreign currency becomes increasingly scarce.

The industry association said that Japan's exports of videotape recorders jumped 24 per cent in July to 2,370 units, largely because of increased U.S. demand.

VTR shipments to the EEC, however, dipped by 6 per cent to 261,000 units.

Tokyo starts 'high-tech export' check

BY OUR SACRAMENTO CORRESPONDENT

ATTEMPTS TO reform California's unitary tax may be jeopardised by a last-minute amendment which would forbid some companies making new investments in South Africa.

The Bill, which passed what was thought to be its toughest test in the State assembly's finance committee last week, was amended by Democratic members of a second Assembly committee protesting against a spending bill.

Last week's key amendment which was conditioinal to U.S. multinationals extended the option to be taxed only on their California revenues to those U.S. companies doing more than 80 per cent of their busi-

ness abroad.

The committee voted to defer a final vote on the amended Bill until September 3 when it considers all pending financial legislation.

Referral of the Bill in its present form would present a problem for California's Governor, Mr George Deukmejian, who has lobbied hard for unitary tax reform but resisted previous attempts to involve the state in the South Africa debate.

The announcement came shortly after another trading company was penalised for having illegally sent a high-technology device to Hungary.

The Ministry officials said they were investigating whether the Tokyo-based trading company had exported electronic programme equipment used for superprecision processing such as in metal moulds.

Volvo launches SKr 1bn truck range overhaul

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

VOLVO OF Sweden yesterday announced an almost complete overhaul of its truck range, including new cabs, engines and chassis frames developed over seven years at the cost of SKr 1bn (£26m).

The new ranges are being introduced simultaneously throughout Western Europe's market today in the biggest programme Volvo has ever attempted.

They are identified by the prefix FL, the I, indicating a major feature of the new cabs — their low entry and floor levels.

The newcomers completely replace the F6 lightweight and F7 medium-weight Volvo vehicles while also enlarging the group's representation at the heavy end of the market.

Eventually, some of them will be offered by Volvo White, the group's subsidiary in the U.S.

Amendment could imperil California unitary tax Bill

BY OUR SACRAMENTO CORRESPONDENT

The new amendment would require corporations which are not to be taxed on their combined income to pledge that they will make no new investments in South Africa.

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Air India invites bids for A-310 finance

By R. C. Murthy in Bombay

AIR INDIA, the country's national carrier, has invited bids from 50 international banks and lease finance companies to help finance the acquisition of six Airbus A-310s over the next two years.

The remaining \$23m of the total cost of \$443m will come from the British, French and West German export credit agencies.

This is the first time India has considered leasing finance on commercial aircraft. Although Air India has not specified the number of aircraft to be leased, Grindlays Bank and Standard and Chartered have informally offered leasing facilities for two aircraft.

S. G. Warburg, the British merchant banker, will advise the airline on leasing offers.

The Indian Government has reservations about aircraft leasing because the ownership rests with the lessor. The two British banks have offered leasing through Irish aircraft finance organisations.

The \$23m syndicated loan comprises a Euro-currency tap-spared loan of \$173m and domestic yen equivalent of \$82m. The State Bank of India, adviser to Air India for the loan syndication, will receive offers up to September 15.

Air India is to receive the first A-310 in mid-1986.

UK group in talks to buy Boeings

International Leisure Group, of the UK, formerly Intasair, which owns Air Europe, the short-haul scheduled and holiday charter airline, is negotiating with Boeing of the U.S. to buy four new Boeing 737-300 airliners, worth about \$100m (£52m). Michael Deane, Aerospace Correspondent, reports.

The group's plans are based on its belief that demand for short-haul package holidays is likely to increase over the next few years.

The new 737-300s will be powered by a different engine to earlier models—the Franco-U.S. CFM-56, built by Snecma of France and General Electric of the U.S.

AP adds from Phoenix: America West Airlines will buy 12 Boeing 737-200 advanced aircraft from Ansett Airlines of Australia beginning next summer.

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World Economic Indicators

UK NEWS

Trades Union Congress at Blackpool

Divisions on left and right threaten TUC

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE ANNUAL conference of the Trades Union Congress (TUC) opens in Blackpool, north-west England, today facing two widening divisions on its left and right wings.

The suspension followed by the expulsion of the Amalgamated Union of Engineering Workers (AUEW) from the TUC is now seen by many as increasingly likely.

The AUEW has already been found guilty by the TUC's general council of accepting government money towards the cost of holding ballots - contrary to the policy of the TUC.

Mr Eric Hammond, general secretary of the electricians' union the EETPU, yesterday said he was losing hope of a "TUC judge." He pledged that his delegation would walk out of the Congress Hall if the AUEW was suspended, and promised to ballot his 380,000 members on leaving the TUC if the engineers were expelled.

At the same time, Mr Arthur Scargill, the president of the National Union of Mineworkers (NUM), insisted that a composite motion, calling on a future Labour government to reinstate sacked miners and reimburse the NUM and other unions "with all monies confiscated as a result of fines, sequestrations and receivership," would not be withdrawn as TUC leaders wished.

The motion is seen as extremely damaging by Mr Neil Kinnock, the Labour leader, and Mr Norman Willis, the TUC general secretary. It

will now be opposed by the general council.

The electricians' unambiguous support for the AUEW raises the stakes. It will also raise the temperature of a debate which Mr Willis had hoped to cool through talks with the engineers' executive on Saturday.

Their refusal to make a final response to the general council's demand that they immediately confirm their willingness to cease taking state aid for ballots has angered many of the left and centre of the council. The executive has delayed a response until it meets again tomorrow evening.

Mr Ron Todd, general secretary of the left-led Transport and General Workers' Union, said after a meeting of his union delegation that he would press for a rearrangement of Congress business. This would be so that he did not have to move a resolution reaffirming the TUC's total opposition to "unjust, anti-democratic and anti-union legislation" while, as he said, "the second largest affiliate has not indicated whether or not it will conform."

The AUEW will not assist in calming left-wing hostility by its decision yesterday to vote again Mr Todd's motion.

Mr David Basnett, general secretary of the General Municipal and Boilermakers' Union, said that "the responsibility of affiliates is to maintain the unity and the authority of the TUC - that responsibility

now very clearly lies with the engineers."

Within the AUEW executive, affiliates seem to be hardening. The 10 voting members are lining up 7:3 against any compromise which might satisfy the TUC. The one favoured by the three "dissidents" - Mr Jimmy Airlie, Mr George Arnold and Mr Gerry Russell - is a recall of the union's policy-making committee with an executive re-appointment to observe the TUC injunction.

The majority continues to insist that the decision to take the money, underpinned in January by a 12:1 membership vote, remains sacrosanct.

They were supported yesterday by Mr Bill Jordan, the AUEW's Birmingham divisional organiser, who is a leading contender for the presidency in elections which begin next week.

Mr Jordan said that the executive meeting tomorrow had to stick to the members' decision, to take state aid.

The NUM's resolution is a call for the Congress to be "mindful of its previous decisions to give total support to the NUM."

Mr Scargill, scheduled to speak tomorrow morning, will launch an impassioned plea for reinstatement of sacked miners and reimbursement, stressing the movement's failure to deliver supportive action to the miners during their 12-month strike which ended last March.

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Treasury achieves switch in borrowing

By Philip Stephens

THE TREASURY has succeeded in engineering a substantial switch in borrowing by local authorities away from commercial banks to central government.

The shift has eased the problems faced by the Bank of England in meeting huge cash shortages in the London money markets and has reduced the size of the Bank's controversial bill mountain.

Official estimates that the local authorities transferred about £1bn of their borrowing from the banks to the government-run Public Works Loan Board (PWLB) in the first weeks of August.

The move followed a Treasury announcement in late July that it was improving the terms on variable rate loans available to local authorities, but it largely reflected earlier changes in the board's fixed-rate borrowing terms.

The Government has been trying for several years to encourage local authorities to borrow more from the PWLB in preference to bank loans, and has consulted closely with the authorities in adapting the board's lending practices.

The reasoning is that central government can raise cheaper finance than that available commercially to local authorities, which helps to hold down the overall level of public spending.

The bill mountain comprises the commercial bills and other financial instruments that the Bank has been forced to buy to provide cash to the banking system as an offset to sales of gilt-edged stock. These sales, over and above the amount needed to finance the Government's borrowing, have been used to dampen the growth of the money supply.

By mid-July the bill mountain had risen to more than £17bn, and because most of the bills have short-term maturities, simply keeping the amount constant involved buying up to £1bn worth each day.

The Bank has faced strong criticism that it had become a lender of first resort and that its operations were seriously distorting the structure of interest rates.

Aslef votes for political fund

BY DAVID BRINDLE

THE TRAIN drivers' union, Aslef, announced yesterday that its members had voted to retain the union's political fund by a majority of 92.5 per cent - the highest of any union so far.

The turnout of 85 per cent was also the best yet among the 13 unions which have balloted on their political funds under the terms of the Government's Trade Union Act. All have voted for retention.

Mr Ray Buckton, Aslef's general secretary, was at pains to point out that the union had "made no bones"

about its political fund being for the Labour Party. This followed criticism by ministers that unions were disguising the true use of political funds.

Mr Buckton also pointed out that the ballot had not been conducted at the workplace, but had been either fully or semi-postal, with all voting slips returned by post.

Of a total of 24,211 ballot papers issued to working and retired Aslef members, 20,672 were returned. Of these, 19,110 were in favour and 1,461 were against, with 71 invalid.

● Mr John Edmonds has been elected general secretary of the General, Municipal and Boilermakers' Union (GMBU) - one of Britain's largest unions - with a landslide majority.

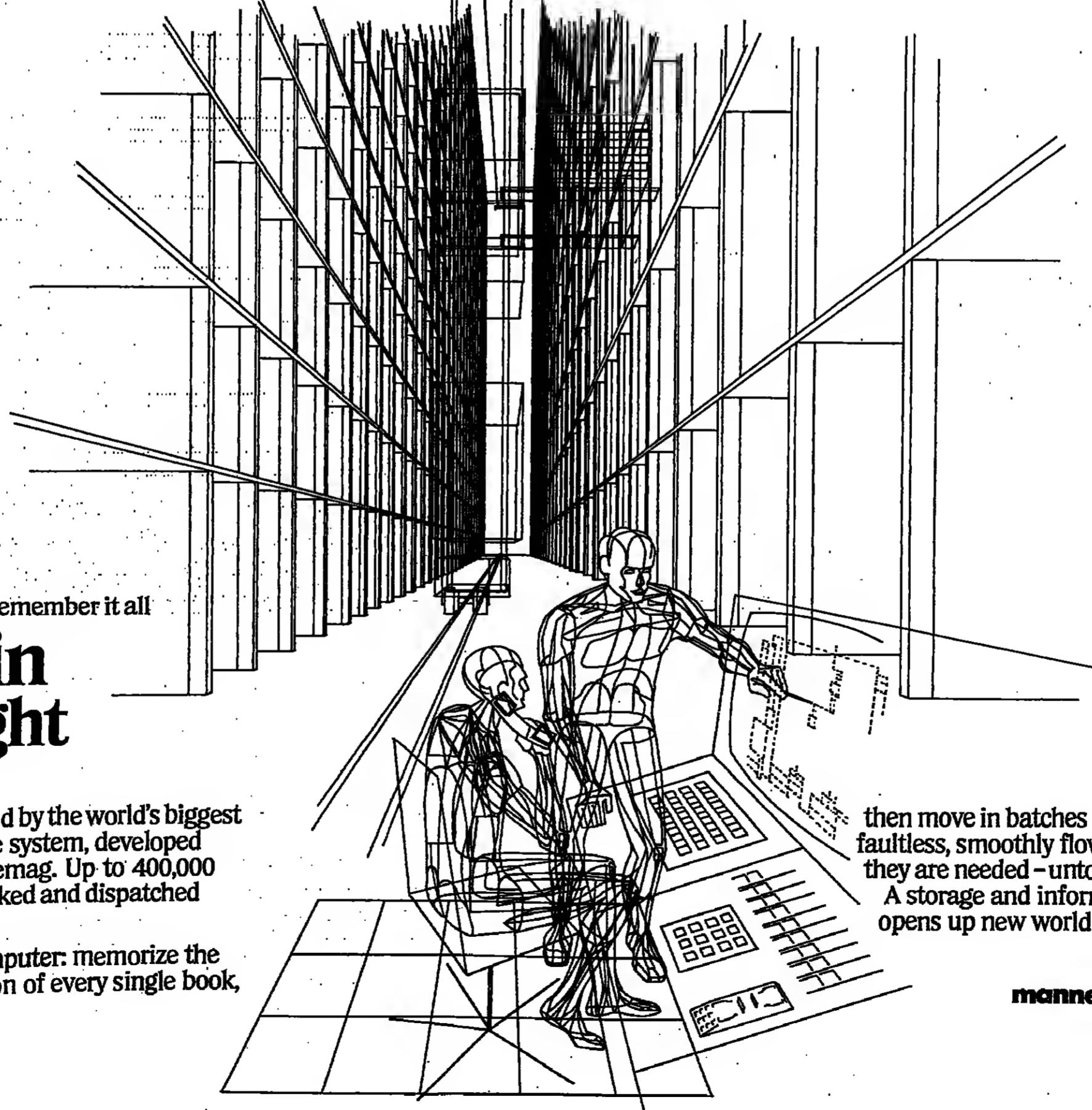
Final voting figures announced yesterday put him over 94% votes in front of his nearest rival, Mr Tom Burrisson. He achieved 411,875 votes.

58.4 of per cent of the total cast.

Mr Edmonds, who is Oxford-educated, is at present the union's national officer for the public services.

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PAUL DAVIS



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is celebrating its 75th Lottery this year and is offering an extra block of prizes in each class. The lottery drawings are held every Friday for 26 weeks starting on October 4th 1985 and proceeding until March 27th 1986. The next lottery after that follows in April 1986.

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UK NEWS

British arm of Mentor in liquidation

BY JOHN MOORE, CITY CORRESPONDENT

THE BRITISH operations of Mentor Insurance, the Bermuda-based insurance arm of Murphy Oil Corporation of the U.S., are in voluntary liquidation. Mr Christopher Morris of Touche Ross, the chartered accountants, has been appointed liquidator of the British company - Mentor Insurance Company (UK) - which has estimated liabilities of £15.5m.

The move follows the discovery of a series of unusual insurance arrangements in the Mentor operations, which were contrary to requirements imposed by the Department of Trade and Industry.

Mr Morris told creditors earlier this month that Mentor has assets of £13.4m, leaving a creditors' deficiency of £2.2m. Following the decision to wind up the company at the beginning of August by the British director, numerous British insurance brokers and insurance specialists face some delay in securing payment of insurance claims.

According to the liquidator's estimated statement of affairs, among those groups with which insurance claims have been agreed but not yet paid as at June 30 are Richard Longstaff (Ins), which is waiting for payment of £388,000; Sedgwick Forbes Bland Payne, £351,000; C.T. Bowring & Co. (Ins), £337,000; and Leslie & Godwin, £129,000.

Mentor is one of the many casualties in the big shake-out in Bermuda of the "captive" insurance movement. In Bermuda numerous insurance companies owned by multinational companies, largely based in the U.S., have curbed their insurance underwriting activities after a series of disastrous results.

The UK company decided to cease underwriting towards the end of 1982 following an adverse claims experience. During 1983 the company laid off its insurance liabilities with Mentor Insurance in Bermuda, which controlled the Mentor company in the UK, Hedgington Insurance.

Treasury policy over electricity attacked

BY MAURICE SAMUELSON

TREASURY interference in the commercial operations of the electricity industry reduces the industry's efficiency, says the Electricity Consumers' Council in its annual report published today.

Mr John Hatch, the council's chairman, issued the warning because he believes the Treasury is likely to revive its proposals about the relationship between the Government and nationalised industries.

The proposals, which were tabled last December, were withdrawn after meeting a hostile reception. Mr Hatch adds that they appeared to give the Treasury new powers to force up prices and extract the surplus.

Anticipating further proposals,

BBC advertising urged

BY RAYMOND SNODDY

THE BBC licence fee should be abolished and replaced by advertising and sponsorship, the Adam Smith Institute argues in its submission to the Peacock Committee published today.

The right-wing institute, which describes itself as a market economics "think tank", says in its evidence broadcasting is not a sacred cow, and the BBC should be put on the same footing as commercial television, newspapers and magazines.

THE BREAKFAST TIME TOAST

At 9am each day the board members of James Burrough may be found making their toast.

That's the time when they sample and 'nose' the previous day's distillation of Beefeater London Dry.

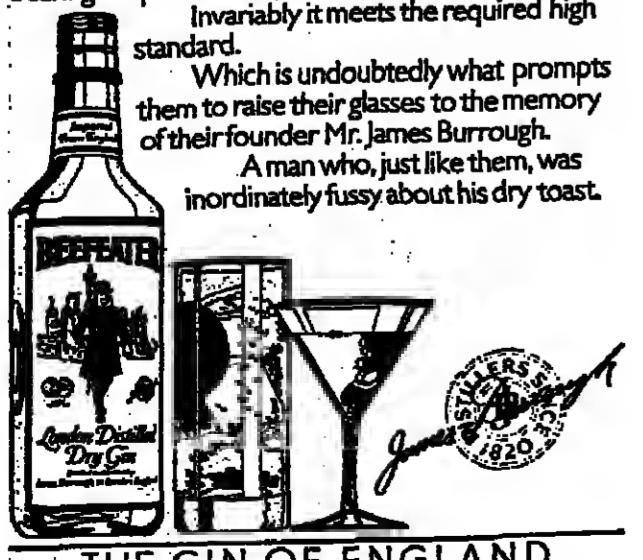
They like their toast to be clear, brilliant and subtly balanced. With a dry softness that doesn't overwhelm the palate.

Only then is it allowed to leave the distillery bearing the proud name of Beefeater.

Invariably it meets the required high standard.

Which is undoubtedly what prompts them to raise their glasses to the memory of their founder Mr. James Burrough.

A man who, just like them, was inordinately fussy about his dry toast.



Al-Fayed plan to revamp Aviemore

By Arthur Sandies

THE AVIEMORE Centre, the purpose-built Scottish island resort which originated as the dream of Sir Hugh Fraser, is about to be given a facelift by its new owners, the Al-Fayed brothers.

Work has begun to upgrade the buildings and improve the service.

As a pre-requisite to completion of a full-scale programme, however, it appears the centre's new management will be seeking a slice of any additional business that might be drummed up for local hotels.

A letter has been sent to some local hoteliers, which include such chains as Thistle House, Ladbrooke and Thistle (Scottish and Newcastle Breweries), suggesting that, unless the centre is a financial success, it might have to close.

The centre has a large conference facility, theatre, cinema, ice-rink, a swimming-pool complex and a wide range of sporting and amusement facilities.

Aviemore has not been a success story so far. It is six miles by a difficult road to the main ski area and its buildings, constructed in the bolds of 60s box-style architecture, are lacking in style.

The Bermudan authorities this June took steps to put the Mentor operations based in Bermuda into compulsory liquidation when the unusual arrangements were discovered. The action by the Bermudan authorities led to the liquidation of the British operations.

The Department of Trade and Industry, according to the British liquidators, was threatening to petition for a compulsory winding up of the company if a voluntary liquidation was not arranged, but agreed not to do so after Touche Ross & Co. were instructed.

Mr Morris is now trying to establish fully the audit trail of the business accepted by Mentor and laid off by the company with insurance companies, in order to determine the full amount of money which Mentor processed in the course of its business.

Legalising of Sunday trading in Texas boosts campaigners

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

BRITAIN'S retailers and consumer groups in favour of Sunday trading are hoping that the introduction of such trading yesterday in the U.S. state of Texas will boost the chances of seven-day a week shopping in the UK.

The British Government still has to formally announce that it plans to bring in legislation in the UK to allow lawful Sunday trading. Supporters of such a move, however, are anxious that the pressure for reform should not run out of steam.

The repeal of the so-called "Blue Laws" in Texas yesterday was the latest move by U.S. states to allow Sunday trading in areas where

there had previously been strong religious objections.

Included in the legislation allowing Sunday trading in Texas was a financial estimate from the state's comptroller suggesting that seven-day trading will add about an extra 0.5 per cent to total consumer spending in the state and some 3 per cent to those retail sectors most likely to open on a Sunday. This estimate has been incorporated into the state budget and is therefore likely not to run out of steam.

Consumer spending on food to eat at home rose by 5 per cent in the second quarter of this year in comparison with the first three months of 1985, according to results from the National Food Survey.

Thatcher considers Cabinet options

BY IAN OWEN

Mrs Margaret Thatcher, the Prime Minister, consulted senior colleagues during the week-end about the Cabinet reshuffle expected to be announced later today and came under increasing pressure to reconsider her intention to appoint Mr Norman Tebbit, the Trade and Industry Secretary, as chairman of the Conservative Party.

Senior figures in the party have made known their concern that the accentuation of Thatcherism, which they see as the most likely result of Mrs Thatcher and Mr Tebbit op-

erating in double harness, is unlikely to produce rapid results in reversing the decline in support registered in recent public opinion polls.

Mr Peter Walker, the Energy Secretary, who is frequently a lone voice in the Cabinet advocating policy adjustments designed to give the Government a more caring and concerned image, gave a veiled hint of his anxieties about the implications of an increasingly dominant Thatcher-Tebbit axis in a speech at

Summer School in Manchester. He closed his call for smoothing away some of the rougher edges of current policies by stressing that the Government's political opponents have succeeded in depicting it as being mean.

Mr Walker, who carefully avoided any direct reference to Mrs Thatcher or Mr Tebbit, highlighted the fact that every recent survey of public opinion has shown that the biggest swing against the Conservative Party has taken place among voters who are under 25.

Role in production of Hawkeye aircraft doubted by MoD

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

SUGGESTIONS that Britain might buy or co-produce the U.S. Hawkeye early warning aircraft were greeted with some scepticism at the Ministry of Defence (MoD) yesterday.

It was reported from Washington that the U.S. had offered Britain a co-production deal on the aircraft following concern over the Nimrod programme.

The Nimrod aircraft was due to enter service with the RAF 2½ years ago, but despite £1bn spent on the programme, it is still plagued with problems.

There has been speculation that the project might be abandoned.

Mr John Lehman, U.S. Navy Secretary, spoke in an interview of his country's fears about this possible weak link in Nato's defences.

He offered the co-production deal on the Hawkeye EC now in service with the U.S. Navy.

He said other options were available.

The first was that Nato could take more of the U.S. Awacs early warning aircraft, already in service in Europe. But he added: "It is also possible to look at some co-production of the Navy EC, which is already in service around the world."

The U.S. was looking to develop a land-based version of the aircraft,

with a greater range than those

"I like the looks of Lufthansa."

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UK NEWS

Guy de Jonquieres on the launch of a trans-European venture

Gambling on the 'custom' chip

Export financing
DM fixed rate loans

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EUROPEAN Silicon Structures (ES2), the microchip venture to be announced this week, is a bold bid to create a novel type of semiconductor business.

It involves a calculated gamble that by using the most advanced production technology available, ES2 can gain a world lead in an emerging market which appears set for high rates of growth in the next few years.

The company is being deliberately organised on a truly European basis, with its operations and ownership spread across several countries, to try to avoid what its founders view as one of the principal problems afflicting previous European microchip projects.

Many of these have developed narrowly as national ventures, often heavily dependent on government support and lacking the scale and resources to be profitable and to compete outside their home markets.

As a consequence, the European industry has been fragmented into too many small units, at the mercy of large U.S. and Japanese companies, many of which have established operations in Europe. In the past decade, European semiconductor makers' share of world markets has doubled from nearly 20 per cent to less than 9 per cent.

The inspiration behind ES2 comes from Mr Jean Luc Grand-Clement, until recently a European vice-president of Motorola, of the

U.S. who was formerly a leading light in the creation of Eurotech, a French semiconductor company.

He enlisted Mr Robert Wilmet, an American who had recently retired as a head of the European operation of National Semiconductor.

The two men then approached Mr Bob Wilmot, chairman of Britain's ICL computer company, who had

recently headed the UK subsidiary of Texas Instruments, the large U.S. electronics manufacturer.

Mr Wilmot convinced the others that ES2 should seek to create a wholly new market by specialising in "custom" components made in very low volumes. That offered better prospects than other recent European initiatives such as Megaproject, a joint attempt by Philips of the Netherlands and Siemens of West Germany to catch up with Japan's overwhelming lead in mass-produced "standard" memory chips.

Unlike "standard" microchips, which are turned out by the million to a fixed design, custom components are tailored to the precise requirements of individual customers. Though such devices can be expensive, they offer greater design flexibility and efficiency, and the world market for them is growing rapidly. It is estimated to have increased by more than 30 per cent to \$1bn last year.

The custom chip industry is largely dominated by U.S. companies. However, most are interested

CUSTOM MICROCHIPS
(World market)

Year	Units
1982	1.09
1983	1.53
1984*	2.13
1985*	2.61
1986*	3.29
1987*	4.27
1988*	5.46

Source: Datquest *Forecast

only in large orders. They have been reluctant to supply European electronics equipment manufacturers, few of which make products in annual quantities of much more than 1,000 units.

This mismatch between U.S. supply and European demand convinced Mr Wilmot that there was a place for a company specialising in making custom chips in very low volumes of only a few hundred at a time.

"If I am right, what has been Europe's weakness will become its strength," he says.

Such a business would have faced prohibitively high costs until recently. But ES2 is counting on recent technological advances to enable it to make economically relatively few chips from many different circuit designs, instead of following the U.S. practice of turning out large batches of chips from a small number of designs.

It will lay out the circuits for its

chips using a technique known as a

"silicon compiler" - a powerful computer software system which dramatically reduces design times. The silicon compilers will be supplied by Lattice Logic, a small Edinburgh-based company, and from the U.S.

The circuit will be etched onto silicon by a process called electron beam direct-write, which dispenses with the photographic masks used in conventional chip-making techniques.

ES2 has ordered a large

new electron beam machine from

Perkin-Elmer of the U.S., which is

said to operate up to 10 times faster

than rival equipment.

ES2 aims to produce custom chips in only two weeks, instead of the 10-12 weeks taken today, for as little as \$10,000 compared with the \$50,000-\$100,000 charged by competitors. It expects costs to continue to fall, opening up a market worth more than \$1bn by 1991, of which ES2 aims to capture at least 20 per cent.

Because ES2 plans to use design and production techniques which are still commercially unproven, it faces risks. Mr Adrian Tarr of Dataquest, a market research company which monitors semiconductor markets, believes ES2's prospects will depend critically on being able to meet its own targets of producing reliable chips on time and providing customers with extensive support and service.

But ES2 still has its chosen market to itself, and its founders appear confident.

Child group attacks social security plans

BY ERIC SHORT

A BITTER attack on the Government's proposed reforms of the social security system is made today by the Child Poverty Action Group (CPAG) - the first organisation to submit its response to the proposals.

The group accuses the Government of taking the social security system in a fundamentally wrong direction and entitles its submission "Burying Beveridge". Beveridge was the architect of the post-war welfare state.

Proposals to reform the social security system were presented in the present system of a variety of benefits to families, including family income supplement and child benefit.

One proposal in the reform package was the ending of the state earnings-related pension scheme (Serps) and its replacement by personal pensions and compulsory company pension schemes. Discussion on that particular proposal

has tended to concentrate on the short-term benefit system and it is on those proposals that CPAG concentrates most of its attention.

The first proposal considered is the introduction of a new social fund to replace the present supplementary benefit system. Its aim, according to Mr Fowler, was to direct help to those most in need.

The proposal is attacked as representing an attempt by stealth to cut the weekly living standards of the very poorest in the community. It is claimed that instead of single extra payments being made as of right to meet one-off, exceptional situations, the social fund would operate only on a discretionary, recoverable loan basis, forcing claimants below poverty levels.

The second chief reform in the proposal was the introduction of the family credit scheme to replace the present system of a variety of benefits to families, including family income supplement and child benefit.

The document lists five groups whose real needs will be downgraded by the proposed family credit:

• Those who do not claim support for which they are eligible.

• Families on low incomes who do not qualify for means-tested support.

• Mothers and children in families where income is not shared fairly.

• Immigrant families whose right to remain in Britain may be conditional on not having "recourse to public funds".

• Families who will get less from family credit than from the present family income supplement.

New controls urged on dumping at sea

BY LISA WOOD

A CALL for new international agreements on dumping of ships' waste at sea, and improved controls to prevent and deal with losses overboard, is made today by Keep Britain Tidy, an independent non-profit-making organisation.

The recommendation comes in a research document compiled jointly by the group and by the Advisory Committee on Pollution of the Sea from reports of findings of hazardous materials submitted by coastal and metropolitan councils in England and Wales and the Ministry of Defence.

The survey results showed that of 245 suspected hazardous packages recovered from beaches, 131 were named in the International Maritime Dangerous Goods Code.

The group, in its report, urges uniform comprehensive regulations, similar to those now controlling marine pollution.

Health care company plans to rival NHS

By Lisa Wood

AMERICAN MEDICAL International (AMI), the private health care company, is set to launch by 1988 what it calls the first fully comprehensive health care service aimed at rivaling the National Health Service (NHS).

Over the last 18 months, AMI, with about 1,200 beds in the UK, has worried health interests including an alcohol unit, acute screening facilities and more recently the Harrow Health Care Centre, Britain's only private general practitioners unit. The group is currently proposing to build the country's first private casualty unit in Woking.

Mr Gene Burleton, chief executive officer of AMI, said the pivot of the comprehensive private health care service was the family doctors service which at present AMI covers by annual subscription and not insurance.

AMI is having talks with Mutual of Omaha, the American private insurance company and with a UK subsidiary on which programmes they could work on together.

Port Ramsgate to have £5m development

Financial Times Reporter

PORT RAMSGATE in Kent, on the south-east coast of England, is to be developed into an all-weather port in a £5m investment by Sally Holdings, the Scandinavian-owned cross-channel ferry operator.

The investment, Sally Holdings said, would enable privately owned Port Ramsgate to develop as a major commercial port and not just a ferry port.

The company said the construction of the M25 motorway had enhanced the prospects of Port Ramsgate, along with other Kent ports.

Port Ramsgate offers some of Britain's shortest sailing distances to Belgian and Dutch ports, as well as to Dunkirk in France.

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FINANCIAL TIMES REPORT

Incentive Travel

Stimulating sales with dreams

Travel schemes to motivate staff are growing so quickly that the UK taxman has started to take an interest in the perks

THINK OF a golden beach, palm trees, cool drinks under a clear blue sky, the soft swish of gentle ocean waves; you're thinking about Barbados... or Mauritius... or Brazil... or any of a hundred dream locations around the world. You're thinking about incentive travel.

Dream it may be, but it is also very big business. Indeed it is big enough for the Inland Revenue recently to have set up its own Incentive Valuation Unit in order to cope with the taxation problems involved.

But, if the mention of income tax is too severe a shock after all that talk of sun-kissed sands it might, perhaps, be best to indulge in a few definitions.

Incentives are part of the motivational armoury of today's managers and marketers. You do not, as motivation consultant, David Livingstone, is eager to point out, have to give incentives to motivate. "Praising people for good work or frightening them for bad can be motivational tools."

Incentives as meant by the businesses that supply them, therefore are a reward or an incentive, and in a tangible form. They range from the crystal chandeliers to the jet European copes. They can be entangled with promotion, like the corporate umbrellas of the gold gear with its discreet logo. They can be offered as part of an advertising campaign to sell more soap powder or as a bonus for on-the-road salesmen who sign up more computer contracts.

And those in the business of selling it will tell you that the greatest of these glittering

BY ARTHUR SANDLES

prizes is travel. In a business admittedly very short on research, it is thought that around £50m a year is spent by British business alone on incentive travel and that well over 500 organisations offer travel services as intermediaries between the company seeking to use travel, and the airlines, hotels, resorts and other suppliers who are keen to provide facilities. Of these, perhaps 100 are to be taken seriously and only around a couple of dozen are of consequence.

This is minor league stuff by American standards, of course. Once again the research appears to be limited and unreliable, but estimates of the total incentive travel market in the U.S. would put its value at \$1.8bn at least and, perhaps as much as \$3bn this year.

Repetition

If one were to confuse these figures further by including the value of the awards in the U.S. frequent flier programmes, which are after all the travel industry's own incentive travel awards, the figures would once again rise significantly.

Travel is also by far the fastest growing area of the incentive business. The reasons for this are not difficult to fathom. Travel of some sort is the ultimate dream of most people.

It is also something which bears repetition—someones may have been to the Seychelles, may be happy, and even eager, to go

again if offered the chance, for free, while someone who already has a Porsche might be less enthusiastic about being given another one.

Travel has a broad family appeal, and thus employees or business contacts offered such an incentive are able to share the anticipation with their spouses and, sometimes, their children.

Initially, the enthusiasm of destinations and other facility providers was based on the fact that incentive users were often looking for bargains and thus could be tempted into the off, or shoulder, seasons.

This is still the case with a large slice of the market but, for many companies, the additional cost of a main season incentive trip is minor when compared with the overall cost of the total motivational scheme.

The heaviest users of incentive travel both in Europe and North America tend to be insurance and motor industries.

Insurers use travel to incentivise salesmen and brokers, while the motor industry, which is an outstanding example of an industry where the manufacturer has little or no official control over the way his product is actually retailed, uses travel extensively to woo dealers and the press.

Deals in the past few weeks for P & Q Cruises, for example, include the taking of 236 deals for a cruise in the Mediterranean on the Sea Princess, while Abbey Life insurance has chartered the whole ship for a

cruise for 11 nights in the Caribbean next May.

Increasing sales is the predominant motivation for most companies using incentive travel as a motivational tool. Other objectives, such as improving work performance, time-keeping or safety awareness, are subjects of incentive programmes, but higher sales are the more normal target and it is from the sales and marketing budget that the fees are paid.

It is the result of these fees, the trips to gleaming places abroad, which are of increasing interest to the revenue authorities on both sides of the Atlantic. In the UK, the setting up of a special unit reflects this interest.

Liability

It also reflects a desire on the part of the UK Government, while it relaxes the tax burden on the better paid, to tighten upon the previously unfixed perks that those better paid enjoy.

The tax position, in theory, is simple enough. In most countries, but certainly in the UK, there is a tax liability for everything an employee receives as a result of that employment. It does not matter if that reward comes in the form of cash or jelly beans, the tax liability remains as does the responsibility of declaring the receipt of any such reward during a tax year.

But the plot thickens. While, in theory, that incentive trip to Madeira to hear about the



Glyn Davis

The QE II in New York, a popular form of travel for incentive holidays and a popular destination

new corporate sales programme for the latest range of high frequency wallfolds is taxable there may be ways of reducing or avoiding the tax problems altogether.

In broad terms, if the trip is an offer to all staff in a particular bracket (in other words all the wallfold salespeople, not just the best performers) and if a realistic

time is spent on business matters (that is a normal 4-5 day week) the tax authorities might well say go ahead. There is no particular difference, in the UK, between a domestic trip or a foreign trip.

Travel industry sources reckon that the taxman is still willing to accept that getting the salespeople away from their normal environment is a valid business expenditure—they will listen more in a French country hotel than in the works' canteen.

It is when the trip is offered as a reward for particular performances; in other words when it is a true incentive, that the problems arise. These are compounded by a high proportion of entertainment or free time and made much worse by

Top 10 incentive destinations

From U.S.	From UK
Mexico	Paris
Bahamas	Riviera
UK	Balkans
Caribbean	Portugal
Bermuda	The Costa Rica
Canada	Italy
Italy	U.S.
Cruising	Caribbean
France	Far East
Spain	Austria

Sources: The U.S.—Society of Incentive Travel Executives. The UK—data source estimates.

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the accompaniment of spouses and children.

In Britain, life is made a little difficult in that the payment of tax is a matter between the individual and his tax inspector. Unfortunately each inspector may well take a different view of what is a true business trip and what is not.

Realistic

At the worst end an inspector may well stick to the strict letter of the rules and say that a weekend in Paris was worth the face value of £500 while the incentive organiser only paid £300 and the recipient would not have gone had he known it was going to cost him more than £500.

Increasingly, however, the reality of the situation is that responsible companies take the advice of their accountants and the valuation unit and reach a prior agreement with the tax authorities.

This involves the payment of tax at the standard rate, on a realistic value of the benefit. The receipt of the award still has to be declared, and, for higher rate taxpayers, they may still be a bill, but at least there is no nasty unexpected shock which could suddenly turn what was hoped to be an incentive into a disenchantment.

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INCENTIVE TRAVEL 2

Arthur Sandles on the stuff that dream trips are made of

With 007 and all that jazz

IT WILL be clear to anyone visiting the Incentive Travel Exhibition in London this month that the destinations and other suppliers to the market are enthusiastic about its possibilities. For the incentive shopper, however, the choice is by no means simple.

The ultimate "dream," a desert island in some distant ocean perhaps, with only sufficient sophistication to provide cool drinks and gourmet meals at the right time, may be totally unsuitable for the corporate board member who may receive (days late) a telex telling of a take-over bid from the nearest rival.

In such situations communications take precedent over dreams.

What then are the stuff that dreams are made of these days? According to Incentives and Promotions magazine, Italy is the most popular destination from the UK incentive market. France is a close second in the runners-up league as a clear indication of the status of the market. Since the survey covered a period when the dollar was at its strongest, the message is obviously that product is of rather more importance than price.

Once again we come back to the perpetual theme from all participants in the industry. "We are in the business of making people feel like winners."

"The incentive serves two functions," says the sales director of London Leading Hotels of the World. "They are to motivate the sales force in the first instance to meet the targeted figures, and second to further promote and regenerate interest in the company's business while on an unforgettable incentive trip."

To do this there are some pretty remarkable offers around. Windtolls, which offers some of the newest of up-market properties in the Caribbean, will offer conference organisers the run of a whole island if asked, including the royal related Minstrels.

Islands, and small luxury hotels, have a particular appeal for conference and incentive travel organisers not only for the "away from it all" element but also because the audience

is trapped. Looked at from the publicists' point of view this encourages a family feeling among the participants. From the corporate users' angle it means that participants are not easily woken away to down-town bright lights when they should be at business sessions.

Perhaps cruise ships take that concept to its logical extreme. Cruising has a very high aspiration element, in other words it is something people want to do but often cannot afford and it also overcomes most of an incentive organiser's main worries.

"For example," says Royal Caribbean Lines, "on a cruise ship you do not have to worry about a spouse programme. It is built into a normal cruise anyway."

Not that the line, like its rivals, will not organise anything that is sought. Cunard, P & O, Royal Viking, indeed all the cruise operators will offer incentive organisers anything from a few cabin and a basic incentives package to a complete ship and everything personalised for the participants.

Personalisation and themes seem to be the name of the game these days.

"We have a fantastic James Bond style weekend in the Amsterdam Apollo," says Trusthouse Forte with enthusiasm. "Or there's an Arabian Nights evening under the stars at the Hammam Palace in Tunisia and jazz themes in New Orleans."

It is a rare incentives trip these days which does not include a few of these "themed" evenings, where the sales director is expected to make just a slight fool of himself in order to encourage the efforts of his sales team and prove that, for once at least, he is almost human.

If the industry itself has themes they are for the de luxe and the exotic. This is not a polarisation, nor are they two exclusive. When appealing to the very top end of the market

Bahamas, the UK, the Caribbean, Bermuda, Canada, Italy, Cruising, France and Spain. Perhaps the interesting aspect of that list is the absence of Far Eastern destinations but this may be a question of time and distance as much as demand.

Certainly the constant cry of the incentives industry to its clients is for them to lower their sights and offer a better nearby product, rather than skimp on a distant destination.

Indeed the domestic market itself deals with a considerable amount of incentive travel. London is a major "fun" destination and inland resort towns and the growing number of luxury country hotels provide an excellent setting for incentive work. Even overseas destinations provide a spin-off for the home market.

"We do a considerable amount of incentive business in our hotels for people who are gathering before setting off for some foreign place," says John de Trafford of Thistly Hotels.

This gathering, either to say hello or farewell, is yet another element in the battle to turn the sales forces' dreams into sales figures' practicalities.



Paris (above) is the most popular overseas destination for UK incentive travel, while Rio (below) is quickly becoming a leading attraction



A checklist to avoid pitfalls of poor organisation and planning

Executive toy that can back fire

TO SOME extent incentive travel is a new executive toy. Everyone is playing with it. It is, however, a serious management tool, often a welcome and one which can easily cause problems if employed badly.

The following checklist is offered as an aid to potential users:

● Think well ahead. The basis of incentive travel is the selling of a dream. Its advantages over hardware are its universal appeal and the likelihood of a clash with other plans.

To make the most of the trip, however, the project must be thought through. It may take weeks even to decide on a destination. To do things in a haphazard way can lead to a failure to get the maximum benefit from a travel award. In particular you have less time for assessing different protocols and it is a little irritating to find, having made your final choice, the location is already booked by someone else.

● Assess target. Although an increase in sales is the most common reason for using incentive travel as a motivational weapon, the simple act of throwing a glossy award at the top salesmen is not always the answer. Incentive users must find weaknesses that are producing the perceived sales failure.

Care must be used in motivating one sector of the workforce not to demotivate other workers who may feel left out. Up to half incentive travel users have as one their prime objectives

the desire to keep the whole workforce happy.

● Is travel the right incentive? Although travel is the fastest growing of the incentive market it is not the only incentive available. A company seeking to improve staff morale, for example, where the employees are largely young and female might find provision of a creche generates more goodwill than the offer of free holidays to a few favoured staff.

● Seek help. Even if you finally decide it is better to carry out your own incentive programme it is worth calling in for sales pitches from specialists in one aspect of the entire scheme. By doing this you will gain some indication of the likely true cost.

● Adjust the prize for quality, not for price. If you are worried about the budget move down to a less exotic trip or a shorter stay rather than cut the trimmings. An incentive trip should be a considerably greater experience than a normal holiday and the nearer your journey gets to becoming a run-of-the-mill package tour, the less likely you are to win the loyalty and affection of those taking part.

● At the Incentive Travel Exhibition a wide range of destinations will be showing off their wares. This is the tip of the iceberg when compared with what you will be offered as a potential purchaser.

Do not be product-led in your choice of destination, hotel or cruise ship. Just because a nation or hotel group produced the glossiest of brochures and the smoothest of sales pitches it does not follow that the product is what suits your needs best.

This again may involve some motivational expertise which may be worth buying or at least looking at ways in which other companies utilise travel. The motor industry and insurance companies are the biggest users. Whatever the basic cost of

your trip if you are not spending around 10 per cent more in promotional work connected with it then you are below the industry average and may be under-utilising the tool.

● Talk with the tax people. Taxation is a thorny subject in incentive travel. Simply throwing in a few business meetings does not remove the tax liability. To give a high-bracket taxpayer a £2,000 trip and then let him discover a year later he owes the taxman £1,000 (plus £1,000 for his wife) is no joke.

The relevant valuation unit is at 27 Broadwick Street, London, W1R 2AE. You should be able to negotiate pre-payment of at least the standard rate tax element in advance. The taxman is sympathetic—if told in advance.

● Follow up carefully. The incentive does not end with farewells at the airport. The good feeling that has been generated should be exploited over the coming months, even with basic little touches like letters of thanks for the participants' company, cards posted from the destination and encouragements to ensure that everyone works hard enough to meet again in another resort next year.

Everyone knows there is no such thing as a free lunch and there is certainly no such thing as a free trip to Ocho Rios—and no-one knows that better than a salesperson. They will expect you to extract your pound of flesh, but do so with discretion and charm.

Arthur Sandles

Travel is not just a prize for internal sales forces. Dealers and brokers also benefit MAX CUFF reports

Extra motivation for the independents

THE USE of travel as a motivator is not restricted to company sales forces. The principals of main dealerships, high street retailers and even publications are as likely to find themselves participants of an incentive travel programme.

Insurance and automobiles are examples of industry where the independent self-employed "broker" or "dealer" is crucial in sales and marketing.

Although not directly employed by the company whose products or services they sell, the dealers provide the most important sales interface with the consumer. A policy or model may be advertised on television by the company, but it is the independent operator who makes the sale. Little surprise, therefore, that incentive travel is widely used by insurance companies and motor manufacturers.

Programmes designed for independents also have a marketing communication function not always necessary with those designed for internal sales forces. Pre-trip literature, which is an important element in well-planned incentive schemes, can provide a medium through which management can address those who sell its products.

The trips, often called conferences or conventions, also provide occasions on which successful independent dealers can come together and hear company announcements regarding strategy, policy, performance or the launch of new products. The trips provide a cohesion between people who are self-employed and who depend on their own rather than the company's efforts for their commercial success and survival.

Another important element is the planning and management of each event. To be effective, to send dealers away eager to work harder to sell even more products to enjoy the next-trip, the event has to be unique.

Those who successfully run their own businesses are by necessity resourceful, energetic and ambitious and any incentive programme designed for the trade has to take this into account. The most successful—and therefore the most likely to qualify for a trip—are fairly wealthy in their own right. That too has to be taken into account.

There is no such thing as the perfect incentive destination. The south of France may be perfect for one group but may bore the members of another. The delights of Bangkok or the Bahamas may not please everybody. A destination is good or bad depending on the degree it motivates the would-be participants.

The proposed destination has to be somewhere the participants understand and want to go. A particular Caribbean island may have the best beaches in the world but if the would-be participants have never heard of it, or have heard of it in a negative sense (revolution 10 years ago, unrest two years ago, etc) it cannot be used.

A destination also has to offer some quality of experience which the participants would like to enjoy in the normal course of their lives. There is little point offering a trip to Benidorm to insurance salesmen who can afford to take their holidays in the Azores and little point offering them the Azores either.

The best incentive destination will somewhere within the participant's horizon of understanding and appreciation and beyond his or her horizon of expectation.

Another important element is the planning and management of each event. To be effective, to send dealers away eager to work harder to sell even more products to enjoy the next-trip, the event has to be unique.

Last year Abbey Life target-busters enjoyed a trip to Florida's spectacular Boca Raton resort hotel, an experience between a £40,000 trip and a £38,000 trip can be success or failure," says Mr David Tomlinson of the Travel Organisation, one of the larger incentive specialist agencies.

"If to achieve a certain objective is going to cost £40,000 it is not worthwhile risking failure by trying to save £2,000." The saved £2,000 can mean lost business and cost the company a good deal more.

There is, however, a difference between spending too much and spending wisely. The best hotel is not necessarily the most expensive and whether an hotel is the best buy depends on whether it can provide the right standard of service.

"Service is important," says Mr Tomlinson. "When the participants write in and complain about the service they have received at an hotel you know the trip has been a success."

On the other hand Mr Charles Robinson of Conference and Incentive Directions, believes that some clients spend unwise. "Sometimes they have a tendency to spend too much on the trip and not enough on promotion," he says.

"Participants from start to end of a trip might be wasteful if the programme was concentrated to the would-be participants in a poor and ineffective manner to cut costs."

Incentive travel is not cheap but is proven to be an extremely effective means of motivating people. Costs can be cut but this must be by expert specialists buying by expert

One thing is certain. The most expensive way of using incentive travel is to buy an inexpensive package from a tour operator and to try to cobble it into an incentive.

Companies sometimes try to cut the costs of incentive trips for their dealers, often with disastrous results. "The differ-

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INCENTIVE TRAVEL 3

Specialists are eager for business, Arthur Sandles reports

Making winners feel loved

IN A recent review of the incentive travel market the U.S. Society of Incentive Travel Managers used words which should be etched above the desk of every marketing director.

"The incentive travel programme should increase the business of the company sponsoring it. But many companies fear it can become a cost of doing business, not a way of increasing business."

"Travel suppliers can help by developing materials that stress the serious, sale-building nature of incentive travel, to help reassure corporate financial officers they are not funding a free-loading junket."

Being fired with enthusiasm for travel as an incentive, a sales building activity, is one thing. Finding the right help to make it that is another.

As with any growth industry the development of the incentive travel market has been accompanied by a surge in the number of companies eager to service it. So many, in fact, that one company which has been tempted to take a small part of its motivational or sales efforts is aware, the number of salesmen bearing their way to the corporate door clutching folios of the glossiest brochures can be daunting.

Market leaders like Promotivations, E. F. Macdonald, Maritz, the Travel Organisation, and Page & May think that the rush of newcomers and general consumer travel companies moving into the incentive market is a bad thing. But they would, wouldn't they?

Only 20 per cent of companies in the U.S. use specialist incentive travel houses, some 50 per cent use in-house staff, 40 per cent use local travel agencies and 13 per cent rely on the destinations to do the work.

according to the Society of Incentive Travel Executives.

The U.S. market is only a guide to what happens elsewhere, however. European specialist houses have a smaller area to cover and are less vulnerable to attack by conventional travel agents. Also the specialist house share of the market in the U.S. has fallen over the past year.

"As with so many aspects of incentive travel there are problems of definition, such as what a specialist house is. Those offering services to only one company are likely to merge from a travel agency with some expertise but basically selling off-the-shelf holidays, to a full-scale incentive house for whom travel is only one arm."

Some will have a motivational team which can design an incentive programme from square one; others will farm this out or have associate organisations if such a facility is employed at all.

Costs

For many companies the full weight of a specialist house may not be seen as necessary. It may be felt that local expertise, particularly if it is from the agency which normally handles the corporate business travel account, is more valuable than the cost of an organization whose specialist knowledge is in what is available and how to arrange it.

Talking about the costs of incentive travel is therefore like asking how long is a piece of string. Agencies and incentive houses will usually charge for a total package and will not be keen to reveal what rate they are getting from hoteliers.

Our own test of the UK market suggests that the average spend in the mid-upper and of the incentive travel business

is about £1,000 per trip. The variations around this figure are, of course, large.

For the unwary the potential for pouring that money down the drain is considerable. There is room for disappointing the incentive winners, for example. "People going on an incentive programme are more than just participants on a journey," says M. Xavier Kempf, director for conventions and incentives at the Montreal Tourist Office.

"They are over-achievers

who have reached a very high target and happen to travel together, and who expect to be treated as such—not as a group but as winners."

Or according to Mr Hackett of the Travel Organisation: "Expenditure on incentive travel comes out of clients marketing budgets. Therefore the effect of travel programmes must not only be measured as whether participants have a good time, but also whether the client achieves his corporate objectives."

The incentive winner who finds a long hectic queue for check-in at an airport, who then has to wait for hours for a taxi or bus and arrives at an hotel which treats the incentive group like a package-tour party is likely to feel that this was a prize not really worth the winning.

The properly assembled incentive package will not only ensure that the basic mechanics of a trip go smoothly and that there is a fall-back safety system if an aircraft is diverted to Nice) but that there is a suitable array of extras which make the incentive winners feel loved.

Hotels will put gold stars and embossed name-plates on incentive winners' doors. Nightly gifts for winners and spouses,

monogrammed of course, are almost run of the mill.

"We have created a whole Hong Kong street in an Hawaiian hotel, complete with volunteers from the local Chinese community who came in to play ma jong," says Hyatt,

which operates at the upper end of the conference market and is bidding to extend its strength in the U.S. market to the European market.

Sales

At this level of sophistication a company using incentives need either a very efficient in-house department (normally only a possibility where incentives are a normal, and large, feature of the sales activity) or use outside expertise to know what is available and how best that can be used.

One trend which seems to worry some suppliers is the tendency for decisions to be made too soon. Most forms of incentive travel require time for the prize to be used as an incentive, with regular bulletins and a maximization of the "dream" potential.

There are dangers in long lead-times but contenders may get bored with being told week after week that a holiday in the Seychelles is at stake.

A well-designed incentive scheme takes account of this. It also takes into account the disincentive of sales people, for example, realising that they are not in the running for the prize and thus slowing down.

The main thing to bear in mind is the object of the exercise.

"The importance of incentive travel must not be underestimated, nor the reason for the trip forgotten," Trusthouse Forte says. "Incentives are designed to motivate, whether to achieve new sales targets or improve productivity."



Computer Communications DPAS systems integrated with the Travicom reservations system at a branch of Hogg Robinson Travel in London, one of more than 250 similar installations. The automated ticketing and accounting equipment can produce tickets for a group of 99 passengers as well as personalised itineraries in about 16 minutes while simultaneous invoicing and airline accounting takes place

David Churchill on the techniques of consumer motivation

Persuasion of the razzmatazz

MOTIVATING THE consumer with free travel is perhaps one of the most underexploited areas of sales promotion. Many advertising agencies and public relations "codebreakers" are reluctant to commit their clients to linking special sales promotions with travel incentives because of fears that the holiday may not live up to expectations and lead to bad publicity.

Local newspapers, it seems, are quite keen to run the "free holiday goes wrong" stories of a free holiday gone wrong. Advertising and PR executives, therefore, are more likely to use the "safe" prize of a car or colour television than risk a holiday.

Yet some companies have successfully used travel incentives as a means of promoting sales in a consumer competition.

One such promotion was for Whitbread's Heineken brand. It was carefully related to the "reaches the parts no other beer can reach" theme used by Lowe Howard Spink in media advertising for the brand.

Promotion

The competition, which was featured at point of sale and promoted through a 10m house-hold door-to-door leaflet drop, invited consumers to guess the point on a map at which a cyclist who had refreshed himself with Heineken would take another rider.

The prizes, like the lager, would not normally have reached the sort of overseas holidays they would not nor-

mally have taken — such as tennis in the Peloponnese, deep sea fishing off Marbella, and gazing in the Camargue.

Mr David Robson, from the motivational company Bonusplan, points out that "the motivational effect of any kind of incentive programme lies not in the prize that is won but in the accompanying promotion to the prize."

He adds that "the promotion has to be built around a relevant theme and it makes sense if it is the same theme as the media advertising."

Consumer promotions linked to travel can be useful in a number of ways, such as stimulating sales of an old product before the launch of a new one, overcoming seasonal troughs in sales, and helping to boost a new product's launch.

Travel incentives in these circumstances can add the touch of glamour and excitement to the competition that more mundane prizes lack — even if travel trips carry their own potential pitfalls.

However, as Mr Robson of Bonusplan points out, "consumer motivation programmes do constitute an important tactical market weapon, but it is unfortunate that more companies do not realise their value." He argues that "if a longer-term approach were adopted it would have the effect of preventing some of the fires

that tactical programmes are used to put out."

Probably the classic consumer incentive travel promotion of recent years has been the scheme operated by Lever Brothers and British Rail to promote the sales of detergent and rail travel respectively.

Lever first started offering free train tickets with Persil in 1977, in a test market carried out in the south-west, and has now out four national promotions since. Customers were offered a free rail ticket in return for proof of purchase of a Lever Bros product which they could use when accompanied by a paying passenger.

Expensive

Market research showed that free rail travel was a popular choice with families who viewed rail travel favourably but were inhibited from more travel by high prices.

In addition, the research found that over 30 per cent of free rail ticket travellers had not been in a train in the previous 12 months. Without their free tickets, some 17 per cent of travellers would have gone by car, a similar percentage by coach, and a quarter would not have travelled at all.

Lever concluded that "this promotion includes a very strong consumer offer and is linked with a proven product partner."

However, because the last ticket offer was a re-run of previous promotions, a public relations consultancy — Jervis

Read PR — was recruited to help boost awareness of the promotion.

Other recent consumer promotions include holders of London Transport Travelcards being offered discounts on Sovereign holidays and collectors of 25 "Bounty" confectionery bar wrappers receiving £50 off a holiday from leading tour operators.

These promotions were organised by a company called Promotivation whose managing director, Mr Mike Morris, points out that "as travel is one of the most expensive items on a family's yearly budget, travel prizes and money offers rate very highly."

He adds that the "trend is towards holidays where people can become involved rather than just laze around sipping a gin and tonic." For a brand of hair spray, for example, Promotivation organised a hang gliding and paragliding prize.

For the travel industry, consumer promotions are not a major part of their business since the numbers involved are quite small compared with the business generated by corporate motivation programmes.

However, most tour companies and national tourist boards are happy to take part in consumer promotions because of the publicity attached to their sponsoring of a prize.

As Mike Morris adds: "We are in the business of creating a dream. The best compliment from the traveller is that they could have afforded to."

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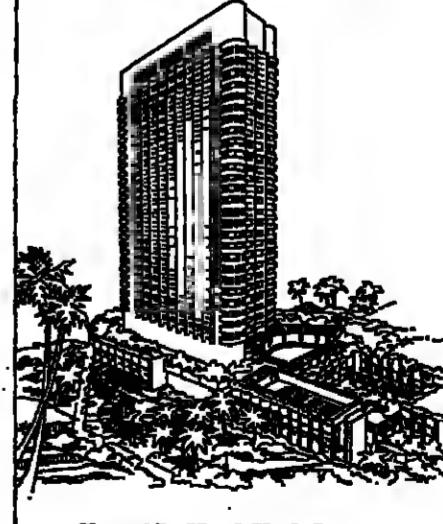


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SHANGRI-LA INTERNATIONAL HOTELS

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

ENTREPRENEURS searching for the secret of how to generate and manage innovation could profitably visit a village in the heart of the south Swedish province of Skane. Perstorp is the name of the village and of the multinational whose home is there. "Creative chemistry" is the slogan coined by Karl-Erik Sahlberg, its managing director, to describe what it does.

More than 20 years ago Perstorp started "burning money from smoke" burning the beech trees which abounded around the village to produce charcoal and distilling acetic acid (vinegar) from the beech wood. Today it is Europe's largest manufacturer of decorative laminates and one of the world's leading producers of polyvinylchlorides for the paint industry.

The Swedish concern is not in the same league as the giants of the European chemicals industry such as ICI, Bayer or Ciba-Geigy. It is a typical small-country producer, which was successful because the art of concentrating on small segments of the market before the "niche" concept became fashionable.

Its speciality has been formalin chemistry. Formox, its method for producing formaldehyde, has been sold to some 35 licensees, although its polyvinyl processing techniques are still carefully guarded.

But what is most fascinating in Perstorp is the intensification of its innovative thinking over the last 15 years and the sophisticated, possibly unique system it has evolved for stimulating research and product development.

Its recent financial performance has been impressive. In 1970 consolidated turnover was Skr 200m; in the current fiscal year to the end of August, it is likely to reach Skr 450m (£309m). Sales have doubled over the last five years and pre-tax earnings have trebled to Skr 337m.

Perstorp is a true multinational with 77 per cent of sales and 40 per cent of production outside Sweden in 1983/84. Britain provided 15 per cent of the turnover, with 23 per cent coming from the rest of Western Europe and 21 per cent from the Americas.

Sahlberg has set ambitious corporate targets. He aims for a 20 per cent average growth in sales a year, a 10 per cent profit margin, measuring earnings after depreciation plus financial income as a percentage of sales, and a return on total capital of between 12 and 15 per cent.

Growth of this pace in a specialised, high-technology concern calls for constant renewal within the company and the maintenance of a truly innovative

Corporate strategy

Perstorp's quest for constant renewal

William Dullforce explains the Swedish multinational's sophisticated approach to innovation and expansion



Karl-Erik Sahlberg: sets ambitious targets

technology in the 1980s is seen as an ideal area to explore.

• "We shall seek niches". This means keeping out of markets where economies of scale dictate the rules of the game. Selecting the right segment is a "matter of life and death", as the nature of the market, the strength of the competition must be thoroughly appraised.

• "We shall internationalise our business early". Since Sweden is too small to support Perstorp's operations, all products have to prove themselves on foreign markets. The second commandment follows naturally from the first.

• "We shall decentralise". Decision points have to be pushed as close to the market as possible and managers shall have leeway to run their businesses. In all companies, Sahlberg says, the dynamic working towards centralisation must be resisted. Under him Perstorp appears to get a shake-up every five years. Last year it was reorganised into nine independent "business areas".

• "We shall stay flexible." This means no massive investment is to be made in capital equipment creating rigidity. Perstorp kept out of petrochemicals which appeared to offer lucrative opportunities in the early 1970s; on the other hand it

to charge all research and development costs against operating income. Last year these amounted to Skr 110m for the corporate units and Skr 85m for the parent company.

Research done within each business area has renewed the life cycles of many "old" products.

• "Pernovo's Surface Treatment Research and Development apparatus: the research foundation with its scientific council; the managing director's fund; Pernovo, the development company for new business; and the group's involvement in Ideon, the new science park at the university of technology in Lund, 80 kilometres from Perstorp.

The organisation of the "creative base" is perhaps what Perstorp is most original. It is deliberately designed to short-circuit more formal management channels, to release people's creativity and to facilitate informal, cross-fertilising contacts.

Perstorp closed down its central research and development unit in 1971; it was seen as being too expensive and too specialised. Now each business area is responsible for its own R&D with the emphasis on development and on keeping its researchers close to its marketing staff. Sahlberg estimates that 80 per cent of product developments at this level have been prompted by feedback from the market.

The head of each business area is personally responsible for launching new products on the market. Group practice is

monitor trends in scientific areas important to the company. Pernovo is also spending Skr 20m-30m over five years at Ideon, the science park at Lund, to finance university graduates working on ideas of interest to the company.

The managing director's fund provides risk money for ideas and projects in the shorter term. People can apply for funding to assess an idea, to do a simple test or to do a quick market survey. The philosophy is that ideas are perishable and die if not tried out.

However, Sahlberg points out, decentralising research in this way leaves a conflict between the one-year horizon of a busines manager and the stretching costs and earnings and the ten-year lead time often required in chemistry to develop a new product. The solution is provided by the research foundation and the managing director's fund.

The foundation sponsors research at universities or contract centres. In this way a business manager can get a research project going or have his basic research done for him outside the company. It is a rule that the person responsible for supervising the quality of the work must be inside the company.

A scientific council of six professors and university researchers, each with an international network of contacts, is linked to the foundation. They verify projects and actively

encourage the management to look for the combination of an idea and a person or "champion". In practice this means that Pernovo tries to acquire small business operations which already have a working nucleus, the beginnings of an infrastructure and a strongly motivated inventor or leader.

The businesses are then "engaged" by turning them as soon as possible into companies. The pressures imposed on the new companies help to ensure that Pernovo management believes in the new business.

It is a simple test or to do a quick market survey. The philosophy is that ideas are perishable and die if not tried out.

In one case staff members suggested that laminates could be used for flooring a purpose for which it had been assumed that laminates were not strong enough. This fund finances technical tests. Laminates were placed on the floor round a heavily used photocopy and Perstorp is now selling laminates for floors to the tune of over Skr 70m a year.

An important role is played by K-G Söderberg, Perstorp's ideas ombudsman. He is a spokesman for people with ideas, a sounding board, a source of contacts and a link man within the company.

The most striking element in Perstorp's "creative base" however, is Pernovo's new development company, Sahlberg calls it "the key to revitalisation" of the group. Pernovo is not a venture capital operation; it is a nursery for new business areas.

Its function is to "manage search, growth and transfer". It searches for ideas and

acquires embryonic businesses. It furnishes the management and funding to build them into independent business operations. It then transfers them to Perstorp, sells them outside the group or closes the operation.

Three of the nine business areas in Perstorp's new organisational structure originated in Pernovo. These are Additives, Marketing products which colour and modify the properties of thermoplastics; Components, making noise-dampening plastics mostly for cars; Biotec, which covers several operations including analytical instruments, medical products, separation products and pharmaceuticals. These three units now provide some 20 per cent of group sales and are growth areas.

After 13 years of trial and error Pernovo has built up much experience in fostering new businesses. It has acquired 15 companies and established 14 others. It can nurse a business for five to eight years before transferring it.

Its management has learnt to look for the combination of an idea and a person or "champion". In practice this means that Pernovo tries to acquire small business operations which already have a working nucleus, the beginnings of an infrastructure and a strongly motivated inventor or leader.

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scheme, but it remains one of the bargains of the business travel market. Basic cover for worldwide travel for a year is £25 which includes the member and members of their immediate family travelling with them. There are additional fees to cover care, loss of luggage and personal liability. The scheme is only available to American Express cardholders.

NISSAN Motor Company has produced a Guide to Tokyo and its Environs. Copies are available free from the Japan National Tourist Organisation, 167, Regent Street, London, W1.

BRITISH Caledonian has launched weekly services between London and the Saudi capital Riyadh. Flights are non-stop using DC10-30 aircraft which depart from Gatwick on Saturday evenings. A second service is planned for October.

BRITISH Airways is changing the audio headsets on its long-haul flights. Current Super Club equipment will become standard for passengers in Economy Class. Super Club passengers will get a new microphone headset. The airline is already warning potential sourciers that the new headsets will not work on most domestic personal stereos.

CONCERN is mounting among business travellers over the spread of virulent forms of malaria. Expert advice should be sought about preventative action but one simple first step is to use insect repellents. Jungle Formula (a U.S. product which contains Diethyl Meta Toluamide, or DEET) sold so rapidly when it was launched that the marketing campaign had to be suspended. Now supplies, including a new aerosol pack, are available from local chemists, including Boots.

THE EVER changing shop and restaurant scene at Gatwick is set another new addition. A £250,000 pub, the Village Inn, has been opened on the upper floor shopping concourses. The pub, which also serves non-alcoholic beverages outside licensing hours, serves traditional pub foods. Sharp-eyed Scottish visitors may spot that the bar counter has been moved from its previous setting in a Clydesdale bank in Glasgow where it had been for 100 years.

RAIL links to U.S. cities from their airports are rare. Philadelphia, however, which opened in May, has proved a great success. The average trip time is 22 minutes. Peak time fares are \$3.50 one way.

Arthur Sandles



A NEW presidential suite will be opening soon at the Inter-Continental Hotel in New York. The 10-roomed retreat from the bustle of New York business life has cost \$750,000 to build.

"Lustrous fabrics," original oil paintings, plus English and American prints are part of the decor. It includes Waterford crystal chandeliers and a baby grand piano. The master bedroom offers a bathroom en suite with a double jacuzzi. \$3,000 a night will rent the whole ensemble, but more modest rates are available if you do not require all the accommodation on offer.

LEEDS CASTLE in Kent is adding to its conference facilities. A new chairman's room is being built with accommodation for 25. So low key is the room that all the new conference technology involved is concealed behind original oak paneling.

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satellites in a payload bay will replace Hermes on top of the rocket (see diagram).

• Having a few years ago toyed with the idea of relegating men in orbit to the subsidiary role of tending robots, CNES is now firmly anchored to the goal of assuring European "autonomy" in space through the capacity to keep men there for long periods.

Men in space stations will be required above all to prepare experiments which will lead later to manufacturing in space as well as to adjust instruments and carry out repairs on satellites and orbiting platforms.

Among these, showing interest in space factories, is Roussel Uclaf, the French pharmaceutical group majority-owned by Hoechst of West Germany, which recently signed a deal with Matra, the defence and electronics group, to try to produce interferon in space. Experiments will be carried out on the shuttle. Separately, CNES is working with Roussel Uclaf and the two other French drug companies, Rhône-Poulenc and Sandoz, on plans to grow crystals in space for biotechnology purposes.

So far France has had only two astronauts in space—Pierre Teilhet and Jean-Loup Chretien on board Soyouz 7 in June 1984, and Patrick Baudry with the space shuttle Discovery in June this year.

West Germany's attitude is likely to be influenced by the CNES decision on industrial

leadership next month. Aerospatiale, which is the leading contractor for Ariane, already has strong links with the MESSERCHMITT-BOEING-BLOHM forged through ventures in the European Airbus as well as

between London, Paris and Bonn this year over the company's demands for design leadership of the European Fighter Aircraft shown on military aircraft sales. But, as the acrimony be-

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THE ARTS

Architecture

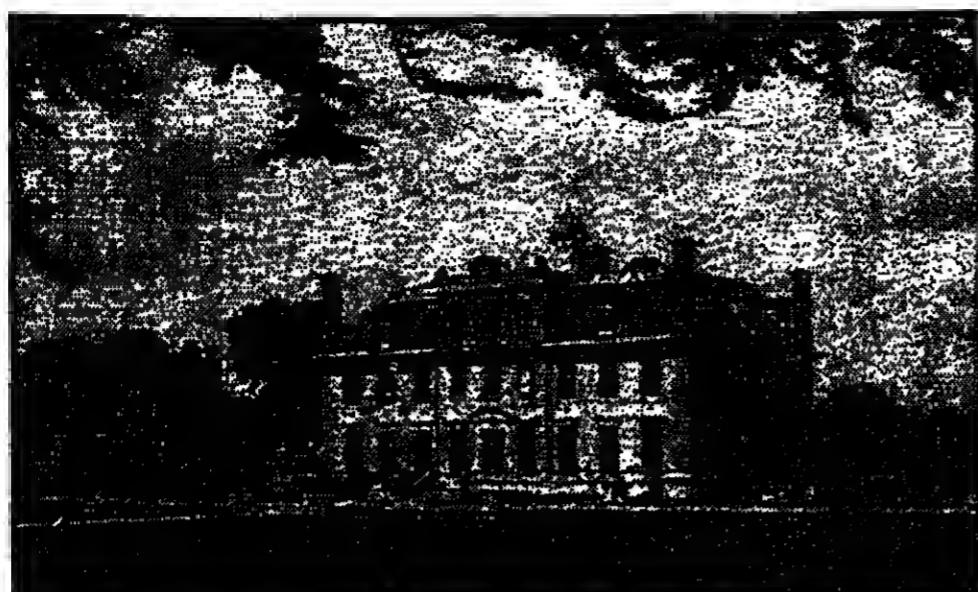
Collin Amery

Impeccable restoration in Dorset

IN 1910 Charles Latham wrote in his gloriously illustrated volume, *In English Homes*, about Kingston Lacy, the house that has just been restored by its new owner, the National Trust: "Many and varied in the realms of architecture, of the art of the painter and sculptor and of the decorator's hand, are the things that attract us in this famous Dorsetshire house, which lies within some two miles of old Wimborne Minster on the Blandford Road." The attractions remain the same today thanks to the generosity of the last owner, Mr Henry Banks, who handed over the whole estate with income and capital to the trust which has just completed an impeccable restoration.

For lovers of the history of architecture, Kingston Lacy is an important example of the changes that fashion and taste bring to the fabric of great houses. The original house, Kingston Hall, was built by Sir Roger Pratt, one of the first gentleman-architect entrepreneurs, between 1668 and 1667. It was an archetype of the Restoration house, "Oblong square" in plan derived from the earlier type devised by Inigo Jones and John Webb and designed for the comfort of a certain class of gentleman not unlike Pratt himself. In fact, Pratt was principally concerned to see that the country home of the English gentry after the Restoration was a perfect example of comfort and elegance.

At Kingston Lacy there is a fascinating exhibition researched and devised by Antony Clemmons that explains the history of the house. In this display there are three models that trace the changes in the house from Pratt, through the alterations of Robert and Charles Barry employed at



Kingston Lacy, Dorset, which the National Trust will be opening to the public on April 28, 1986, following major repair and restoration

Kingston Lacy from 1834 to 1842. The complex story has been unearthed from archives and the actual fabric of the house.

Because the trust was able to "totally evacuate" the house, carefully recording and storing the contents, the architects, Carew and Martin (strangely uncredited in all the Trust's public relations material)—had an unusual opportunity to restore the entire fabric.

It is an interesting story, one that has already rewritten some pages of architectural history. It is possible at Kingston Lacy to see the only surviving Pratt drawing of the house, a crucial document in the history of English architecture.

What the visitor will see when the house is opened to the general public in April 1986 is the Italianate creation of Barry and the great collector

and traveller William John Banks (1785-1855). In many ways, Kingston Lacy, now occupied only by National Trust staff, has become a country house museum. It was inevitable that the contents and decoration would have to be frozen—but it has been done with skill and taste.

Decisions about restoration and repair are taken by large numbers of highly qualified experts. The man on the spot, the local historian, building representative of the trust is Mr Tony Mitchell. He has handled the house with great discretion and respect. He has an eye for the orchestration of entire rooms, furniture, fabrics and colours and the great collection of pictures have been looked at as elements in the visual harmony of the house. It is probably fair to say that the collector William John Banks was trying to achieve

received such quietly sympathetic conservation or looked as tinselata.

There are some minor criticisms that have general application. Why do smoke detectors have to look so obvious? It is a mystery why the very centre of the drawing room ceiling was chosen as a spot for one—perhaps a chandelier is on the way to distract it. The plate glass for the openings on the stair landing quite simply looks wrong. It would not have been made in such large sheets in the 1830s—I am sure those openings should be sashed.

The decision to remove the Guido Reni from the library ceiling—a rather overpowering painting of *Domus sending forth Day and Night*—is a matter of taste. I feel that it is an important loss. The impression that the collector William John Banks

was trying to achieve

is that of a tasteless close, proving that you can end both on a bang from the abominable sound-track and a whimper

The Marriage of Pantalone/Elizabeth Hall

Rodney Milnes

On paper an entertainment mounted jointly by the Consort of Musica and *La famiglia Carrara* looks unlikely; the Consort purveys early music of blameless respectability, and the Italian troupe's *commedia dell'arte* routines are authentically earthy (the final pay-off gag about onanism was a reading drawn out as the act itself, and twice as funny). But in the event, which formed the climax to John Williams's South Bank Summer Music, the combination worked well, was far more carefully planned than Anthony Rooley's disarranging programme suggested, and, like one of those old wireless variety shows, offered something for everyone.

Five commedia episodes were interspersed with and framed by musical intermedio from the Consort. Often the musical numbers (Monteverdi, Vecchi, Gabrielli, Lasso *et al.*) bore sufficient relevance to the dramatic action for the actors to mine to them, and even when they didn't purely musical pleasures easily outweighed potential disarray—Emma Kirkby's exquisite singing of Monteverdi's "Lamento delle ninfe" was a case in point. The early anti-German squib (Lasso and Anon—first use of "Crout") were properly tasteless, and while it was difficult to judge the exact degree of intentional "English" gaiety of Ravenscroft's "Frogge and Mouse" and "Hodge and Malkyn" in this context, they made an unanswerable case for

retrospective emigration to hotter climes. But despite consistently fine playing and singing from Mr Rooley's Consort, with little help from the York Waits for the coarser smooties, the commedia acts were the meat—the meat of the evening. The plot of the *Marriage of Pantalone* naturally brought no surprises: elderly guardian (unwitting), nubile warden, ardent suitor, served a mixture of love, scheming and lower IQ, but the routines were presented with invention, freshness and well-oiled spontaneity. It was fascinating for opera buffs to see family episodes from countless pieces such as *The Barber, Foscuso*, even *Meistersinger* precisely prefigured (Don Alonso, Noris's slip, the protracted serio-comic serenade). The troupe was led by Ticino Carrara, an outstanding mime artist and verbal improviser, irresistible

Bass Clef celebrates

The Bass Clef in Coronet Street, London, N1, has established itself firmly in the last year as a major venue for jazz, as well as for African and Latin music. It celebrates its first birthday this month with a series of special events. Among these are four BBC recordings for its Sunday night Sounds of Jazz programme (September 12, 13 and 23), plus a tribute to famed British saxophonist Tubby Hayes by the Pat Crumly/Steve Robbie band (25).

Full details from: 729 2476.

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Bühnenbild: ANDY PHILLIPS

Musik: AMANDA WARING

Musik: ANDY PHILLIPS

Terry Byland on Wall Street

Interesting question of regulation

IN CONTINUING to trade the securities of South African stocks last week, during the temporary closure of their home markets, Wall Street was following the line taken in London and other international centres. There was never much doubt that dealings would be maintained outside South Africa, and in the event, there were no fireworks in New York. Gold mining stocks, which had fallen sharply in previous weeks, gave a little further ground. Those "orderly markets" so beloved by regulatory bodies were maintained.

But the response of the New York markets was not without significance for the quest for the global securities market in which Wall Street is leading the pack.

Stocks in the South African gold producers - Buffelsfontein, Kloof, Vaal Reefs and the like - are mostly traded in the U.S. on the Nasdaq or over-the-counter (OTC) market, in the form of American Depository Receipts (ADRs). Since ADRs are receipts for stock already deposited in a U.S. bank, trading them does not directly change the balance of worldwide shareholdings. But offshore trading in international stocks like the South African gold producers will become increasingly important as markets become more global in nature.

The other form of investing in South African mines, widely favoured by U.S. private investors, is in ASA, the closed-end investment trust which invests in the stocks and is quoted on the New York Stock Exchange.

With the time differential working to its advantage Wall Street knew that dealings in South Africans were already continuing in London and other European centres several hours before opening time in New York.

Both the NYSE and Nasdaq kept a low profile on the issue of whether trading should continue in New York - Nasdaq taking the slightly specious attitude that market-making on the Nasdaq system is voluntary anyhow. Some market-makers seem to have been told that if they elected to withdraw from making markets no one at Nasdaq would hold it against them.

The view generally held, although not expressed by any regulatory authority, was that since it was the South African Government and not the Johannesburg Stock Exchange which halted dealings in U.S. markets were not required to take notice - a curious attitude to those not employed in the securities industry.

Deals soon started, and by mid-session the traders were complimenting themselves on having again demonstrated that investors will always find a safe, secure market in the U.S. when they need to trade stocks.

But the South African incident underlines a newly-revealed truth in the New York financial markets. It has become almost impossible to stop dealings in New York in any security that investors, or speculators, want to trade.

On the same day that the markets decided to continue trading in South African stocks two major U.S. issues were temporarily suspended on the NYSE. Both Westinghouse Electric and Union Carbide were suspended after disclosing plans for significant changes in their respective corporate structures.

Both stocks were immediately quoted in the third market where stocks are traded off the floors of the NYSE, the Amex and other U.S. stock exchanges. After a brief flurry on these off-floor markets both stocks were restored to quotation on the NYSE, where they played a dominating role in the day's trading session.

When circumstances call for a halt in trading of a stock the NYSE now restricts the halt to three hours. This decision followed a series of embarrassments where speculative issues were traded on the third market while suspended on the big board - Walt Disney Productions and Warner Communications are the two most quoted examples.

The third market played no role in last week's trading in South African stocks. There was no need to, since there was no shortage of Nasdaq and NYSE market makers willing to deal. But there can be little doubt what would have happened if the major exchanges had tried to restrain trading.

Last week's dealings in South African stocks has provided a reminder that as markets become increasingly international, so will the question of regulation. As matters stand, a truly international takeover battle could raise any number of interesting possibilities.

Sterling, interest rates 'threaten' UK recovery

BY ANATOLE KALETSKY IN LONDON

HIGH INTEREST rates and the strength of sterling are rapidly reducing Britain's inflation, but they are also eroding business confidence, threatening the economic recovery and undermining political support for the Thatcher Government.

These messages are conveyed strongly by two major surveys of business opinion published today by the Confederation of British Industry (CBI), the employers' organisation, and the Institute of Directors (IoD).

The CBI monthly trends survey for August shows a "distant downturn" in order books, a deterioration in export prospects and the highest build-up of stocks since January, 1983. As a result of the gloomy survey, the CBI's economists have reduced their forecast for GNP

growth in 1985 from 4 per cent to 3½ per cent.

Although the CBI's official growth forecast for 1986 remains unchanged at 2½ per cent, Mr David Wiggleworth, chairman of the Confederation's Economic Situation Committee, said yesterday that businesses had suffered "a job to confidence". He warned that high interest rates and exchange rates will "lead to a weakening of competitiveness, lower investment and ultimately lower growth both next year and in the longer term."

However, favourable effects of the Government's tight policies also emerge clearly from the CBI's survey. Fewer companies expect to raise their prices than at any time in the past five years and the CBI staff are now forecasting that inflation will decline to 3.5 per cent by mid-1986.

This positive news in the battle against inflation should remove any lingering fears that the Government might have about further cuts in interest rates, Mr Wiggleworth said.

The Institute of Directors (IoD), meanwhile, issued a separate attack on the Government's performance on the basis of its own bi-monthly opinion survey. Although directors' views about their own companies' general performance remain bullish, expectations about output, profitability and the general economic environment have all declined from the peak levels reached earlier this year.

The IoD also found a high level of political disillusionment with the Government. Among the senior executives interviewed, 46 per cent of respondents expressed general dissatisfaction about its performance, against approval by 38 per cent.

The move by Montedison, taking the group away from its core chemical and pharmaceutical activities into insurance and property, is estimated to have cost up to £300m (£367m).

The battle began in early July when Montedison acquired from financial operators a 36.8 per cent stake in BI-Invest, which had been built up steadily on the Milan stock market. That deal put Sig Bonomi into a position of minority shareholder in his own company.

Montedison's move severely offended Italy's industrial establishment. Sig Bonomi was a member of the club of top industrialists, including names like Agnelli, Pirelli and Orlando, who control the holding company, Gemina, the biggest single Montedison shareholder. They expressed strong disapproval for the action of Sig Mario Schimmi, Montedison's chairman.

BI-Invest took legal action against Montedison and resorted to other means to end the takeover.

On Friday, Mr Maxwell announced that he would never again publish the Sporting Life title and that it was up for sale.

Following Mr Maxwell's meeting with Mr Duhbins, he met with officials from SOGAT '82 - who were later scheduled to meet the NGA. Mr Harry Connolly, general secretary elect of the National Union of Journalists was also called up to Mr Maxwell's suite during the afternoon's lengthy negotiations. Since the start of the dispute the NGA has volunteered itself in a potential peacemaker role in Mr Maxwell's dispute with the NGA.

BI-Invest will, however, buy back BI-Invest's stake in three companies: Saffa, which makes matches and packaging material, Postal Market, Italy's leading mail order company, and Invest International, which looks after BI-Invest's interests abroad.

As a result of the weekend's events, Montedison now controls a number of diverse financial assets such as a 25 per cent stake in La Fondiaria, one of Italy's leading insurance companies, plus stakes in other major insurers.

BI-Invest surrenders control to Montedison

By James Buxton in Rome

BI-INVEST, the Milan-based financial group, has formally surrendered to Montedison, Italy's giant chemical group, to bring to an end one of the most significant takeovers in recent Italian history.

Montedison, which already owns 36.8 per cent of BI-Invest, is to consolidate its grip on the company by acquiring the shareholdings of the Bonomi family, estimated at 32 per cent. Sig Mario Bonomi has resigned as chairman and managing director of BI-Invest.

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cal and pharmaceutical activities into insurance and property, is estimated to have cost up to £300m (£367m).

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Playboy Enterprises has been going through a period of readjustment after losing \$89m in 1982-1983. It sold its London casinos in 1982 after a licence renewal was refused, and decided to leave Atlantic City, New Jersey, after the state casino control commission said it was unsuitable to operate there unless it cut its links with Mr Hugh Hefner, its controlling stockholder. In its 1984 fiscal year the company made net income of \$27m, or 276 cents a share.

The results for the year, announced in advance of the accounts, showed net income of \$31m, or 31 cents a share, on sales of \$152m. Profits included \$2.5m of tax benefits resulting from loss carryforwards.

Playboy said that its accounts, Price Waterhouse, would qualify the accounts because of concern over the settlement of the sale of its stake in the former Playboy Hotel/Casino in Atlantic City, now renamed the Atlantis Hotel/Casino, its controlling stockholder. In its 1984 fiscal year the company made net income of \$27m, or 276 cents a share.

The first instalment of \$12.1m in principal and interest was received promptly in April, but Miss Christie Hefner, president of Playboy, said that the company was concerned over the Atlantic Hotel/Casino's recent operating losses.

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If the experiment is successful it is likely to lead to the opening of similar centres in a high proportion of Debenhams' 65 stores, providing a wide range of financial services and advice in addition to share trading.

Mr Tony Richards, a partner in Quilter Goodison, which is headed by Sir Nicholas Goodison, confirmed yesterday that the money centre would be opening in Oxford Street next week but said that further details would have to wait upon a press conference scheduled for September 9.

The move to high street share shops is a timely attempt to tap the wider public interest in share ownership arising from privatisation - especially of British Telecom - and the growth of company share option schemes.

Quilter Goodison has already done some pioneering work in this field. At the time of the BT flotation it opened up units inside many department stores - including 25 Debenhams' stores - to distribute prospectuses and collect applications for shares.

The Oxford Street money centre - which has been given the go-ahead by the London Stock Exchange - will be staffed by about half a dozen trained Quilter personnel backed up with information services such as Prestel, Elexel and also two-way radios. A partner will also be available.

Although new to Britain, the practice of buying and selling shares in shops has been familiar in America for some time, most notably in an arrangement between stockholders Dean Witter Reynolds and its parent company Sears Roebuck.

Mr Robert Thornton, chairman of Debenhams which was taken over recently by Mr Ralph Halperin's Burton Group, was not available for comment yesterday.

THE LEX COLUMN

S. African winter for the banks

Yesterday's announcement by the South African Government that it was freezing its foreign debt repayments may be a serious step, but it cannot have come too much of a surprise to the country's creditors. Dr de Kock was probably told on his whirlwind tour that neither commercial nor central banks were prepared publicly to bail out the country, and by implication, the apartheid system. Even a negotiated redressing along Latin American lines would have tainted the banks involved.

Trapped in a lair of its own making by its actions last Wednesday, the Government had to find a way of dismantling its ring fence without being stamped out by currency speculators or foreign investors trying to withdraw their money from the country. But exchange controls can surely only help in the short term; further ahead, some sort of political reforms will be necessary for foreigners' confidence in the country to be restored.

Now that the Government has opted for unilateral rescheduling, its creditors might even be relieved to be left off the negotiating hook. But such an act must now preclude any further foreign lending, something which the country is sure to need.

Cycles of unrest and violence in South Africa have tended to move in line with the economy - so the Government might have hoped to quell its political problems this time round through renewed economic growth. But if it is to repay its creditors with at least another year or two of high interest rates, high unemployment and minimal growth.

Even its underlying economy is not as well equipped to cope with the world of the 1980s and 1990s as it was in the 1970s. When inflation was high and everybody expected an energy crisis, an economy which produced gold and coal was bound to perform well. In an era of low world inflation and a depressed oil market, South Africa's exports are much less valuable.

The effect of the freeze on the South African banking system may not be too disastrous. Banks with the greatest exposure to South Africa - Barclays and Standard Chartered in the UK and a group of Continental European banks - are not those which have lent heavily to the Latin American debtors. No UK bank had

any dealings in securities, at least any more overseas panicking will be channelled through the financial rand, leaving the commercial rand stable enough to allow companies to do business.

Foreign companies with subsidiaries or associate companies there will still be able to receive dividends, probably in commercial rands, but pulling out of the country altogether may be difficult. If they are allowed to bring the proceeds back, it may have to be at the lower financial rate.

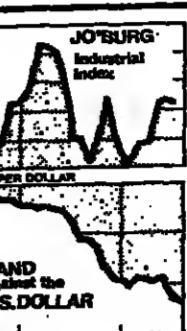
As either rate, industrial disinvestment does not look attractive. In sterling terms, the value of companies' rand assets has nearly halved since the beginning of the year. Given the state of the economy, there can be few domestic buyers, anyway. Financial institutions, who have to keep their money in the country, are awash with cash but industrial companies are not. Even if a foreign company could find a buyer for its subsidiary, the taint of distress selling would do no good for the price.

Companies who, unlike McAlpine last week, have not managed to pull out of the country will probably see the effect of the rand's depreciation hitting both their balance sheets and their profits. Even if earnings from South Africa match last year's level, their sterling value will be way down. Unless the book value of their assets underestimates their current worth, write-downs could be necessary.

South Africa is, of course, a very special case. Because of the strength of its account, it can easily repay its \$12bn of short-term debt within the next few years; the problem is one of liquidity rather than solvency. The crisis was brought on almost entirely by political rather than economic pressures.

After all, the country was already following the economic course that the IMF would have prescribed, right down to the devaluation of the currency. But whether this will wash out with the LDC debtors are an other matter.

The imposition of exchange controls sounds like the loud banging of a stable door when the horse is already many miles away. Most people who wanted out of South Africa will have repatriated their money in the last few months. But with the reinstitution of a fixed commercial rand rate for trading and a floating financial rand for for-



Political risk

The South African Government may hope that reimposition of two-way exchange controls will attract investors back to the stock market. It works like the old system, foreign investors will be able to buy shares in financial rands and earn dividends in more valuable commercial rands. But with yields on gold shares now 12 to 13 per cent, the payback period is seven or eight years, surely too long a time horizon for institutional investors to envisage in the current political climate.

Foreign investors, bankers and local business are understandably holding out for some sort of political reform. The unrest is now so serious that decisions to lend to or invest in South Africa are not just based on moral scruples; they are hard to justify by any measure of risk and reward.

Playboy Enterprises accounts qualified

BY TERRY DODSWORTH IN NEW YORK

AUDITORS for Playboy Enterprises, publisher of the U.S. Playboy magazine, are intending to qualify the accounts of the publishing group for the year to June 30 because of uncertainties over the company's ability to collect income due on a \$37.9m note.

The results for the year, announced in advance of the accounts, showed net income of \$31m, or 31 cents a share, on sales of \$152m. Profits included \$2.5m of tax benefits resulting from loss carryforwards.

Playboy said that its accounts, Price Waterhouse, would qualify the accounts because of concern over the settlement of the sale of its stake in the former Playboy Hotel/Casino in Atlantic City, New Jersey, after the state casino control commission said it was unsuitable to operate there unless it cut its links with Mr Hugh Hefner, its controlling stockholder. In its 1984 fiscal year the company made net income of \$27m, or 276 cents a share.

The first step towards a new financing will be an offering of 1.5m shares, which might raise about \$21m at current market prices. Proceeds will be used to increase the group's equity base and for general corporate purposes, the airline said.

Like several other U.S. airlines, Playboy may be feeling particularly vulnerable at present because of a profits recovery. Mr Burr said that the change of

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday September 2 1985



American Airlines terms less tight than feared

BY ALEXANDER NICOLL IN LONDON

KERNLY awaited terms on a \$300m financing for American Airlines emerged on Friday and were less demanding than the market had feared.

In a summer market virtually starved of excitement, each stage of the Dallas-based company's deal has been accorded undue drama. First there were speculations - denied subsequently by the borrower - that the airline would attempt to syndicate the deal itself, without lead managers. Then there was a tense bidding match between aspirant managers. After that fierce competition, the terms were expected to be very tight.

The seven-year deal, led by Bank of America with Bank of Montreal and Sumitomo Bank as co-leads, carries a maximum cost to the borrower of 40 basis points.

Backing a new facility, which will include a tender panel mechanism, will be a standby including a swing-line. The standby, like an increasing number of other deals, comprises an "available" amount set by the borrower each six months according to its expected drawing needs, and a "reserve" amount making up the remainder.

The facility fee on the available amount - set initially at 15 basis - is 12 basis points and on the reserve amount, 7/4 points. The minimum fee is the 10 point initial average.

Margins on standby drawings will be 12 basis points above London interbank offered rate (Libor) for the first five years and 17/4 points for the remaining two. There will be a utilization fee if the facility is more than 30 per cent used, rising to a maximum of 10 basis points if it is more than 75 per cent drawn.

American plans to use the facility initially as a standby. At end-June, it had a \$1.6bn cash surplus. But it has an \$8bn capital spending programme between now and 1987.

Terms have also been agreed for months on the remaining \$1.6bn refinancing for Woodsides Petroleum, operator of Australia's North-West Shelf gas project. The deal has been controversial because doubts about Woodsides' ability to raise the financing led to a \$800m takeover bid earlier this year from Broke Hill Proprietary and Shell, resulting in their current ownership of 79 per cent of the company. Then, some members of the lead management team for the original \$1.6bn package arranged in 1981 dropped out of the replacement deal.

The new facility will back issues of floating rate notes and commercial paper as well as export credits and other potential financing methods. Terms have been hammered out by the managers, including Deutsche Bank as syndication coordinator and Cusse Manhattan as

agent, and by Morgan Grenfell as Woodsides' adviser.

Margins on the \$1.6bn expected to be needed, to be drawn either in cash or letters of credit, will initially be 1/4 percentage points above Libor. At a trigger point in the early 1990s, when production and shipping facilities are sufficient for a given level of LNG delivery to Japan, the margin will drop to 1 per cent. It will rise back to 1 1/4 per cent if repayments are not made by February 1998, or if less coverage ratios are breached at any time.

Spreads on the remaining \$300m facility to meet contingent financing needs will be a quarter point higher in each case. Commitment fees on "available" amounts to be projected by the borrower each year, will be 1/4 point and on "unavailable" amounts 3/4 point.

Almost 80 banks participating in the existing financing are being asked to take part in the new one. Use of the securities markets in non-recourse financing is not unprecedented, but is an important new method of bringing a broader range of investors into project finance.

For Australian borrowers, the method is particularly attractive because 10 per cent withholding tax must be paid on bank credit but not on securities.

Malaysia restricts ownership of banks

By Wong Suiong
in Kuala Lumpur

BANK NEGARA, the Malaysian central bank, has issued a new directive restricting the ownership of banks. The maximum equity stake in a bank is to be limited to 20 per cent for a corporation, and 10 per cent for an individual or a family, including direct and indirect shareholdings.

The new ruling to diversify bank ownership follows several recent cases involving bad loans incurred by Malaysian banks owned and managed by a small group of individuals.

It is not immediately known whether the new regulations will obstruct Maika Holdings, the investment arm of the Malaysian Indian Congress, from seeking controlling interest in the United Asian Bank.

Maika recently obtained agreement with three Indian banks for the purchase of their 33 per cent stake in UAB. The deal has aroused substantial opposition from several Malay groups.

Bank Negara has also decreed that all banks must enforce its ruling on non-performing loans from January next year. Under the ruling, introduced last September, banks will have to treat a loan as non-performing and suspend interest if the borrower has not serviced it for 12 months or more.

The central bank also recommends that the Government amend the Banking Act to make it a criminal offence for any bank officer to extend credit in contravention to statutory limits or internal authorised limits.

Sales last year dropped 4.2 per cent to DM 12.7bn. Ford blamed declining exports, particularly to Britain, and higher domestic marketing costs.

The German car market offers little encouragement for this year, says Herr Daniel Goedevert, the managing board chairman. He ex-

Mis-priced issues return to market with a vengeance

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

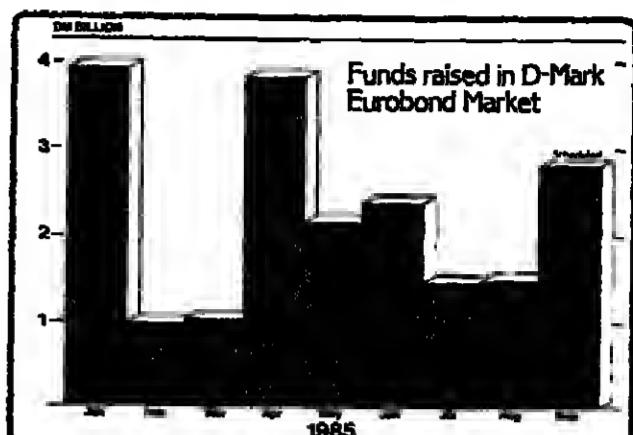
IT MAY NOT exactly be an old Euromarket favourite, but at least it is a phenomenon with which bankers are endearingly familiar. Last week it was back with a vengeance - the mis-priced deal.

After a period in which investor demand for U.S. corporate names had picked up in Europe, allowing a succession of carefully-priced deals to be tucked away with the investing community, new issue managers suddenly began to misread the market. The result was a spate of issues on over-ambitious terms that failed to elicit much excitement at all.

Worse still, several of the deals were for large amounts so that the total volume of new fixed rate paper hitting the market in a holiday-shortened week was an indigestible \$1.6bn, considerably more than the \$780m of a week before.

This is a lot to ask from a market which is certainly not investor driven at the moment. On one level it simply reaffirms the edge that old habits die hard. When big ticket borrowers such as Texaco, GMAC and General Electric Credit ask for bids, everybody has to scramble if only to keep face in a market where league tables do count.

But there is another possible con-



clusion from last week's debacle and it may be more relevant to the market's present consternation. This is that the launch of so many large deals all at once is what one senior banker described as "a good bear signal." In other words the borrowers may have got tired of waiting for interest rates to go down some more; indeed they may now be expecting them to harden.

If that is so, there must be implications for other markets too. Harder dollar interest rates could help the dollar to firm again - the U.S. currency rose by more than six pennies to nearly DM 2.82 last week - and that spells potential disappointment for markets which are heavily currency driven such as that in Germany.

Certainly new issue managers did not get much help from New York last week, particularly on Friday when bond prices on Wall Street fell following a surge in M1 money supply. That just left most of last week's new paper looking even more out of line and by common consent only the \$250m GMAC issue was left looking reasonably unscathed. Other deals were trading on Tuesday at an eight point discount on its Swiss franc issue price and through by Friday the stronger dol-

lar had helped it improve, it was still only at 97.13. The Mobil issue was also below par at 97.1%.

By contrast the recent straight 5% per cent Tokyo Electric Power bonds held their 99% per cent issue price.

The Euro market started last week on a confident note with an Ecu 125m, 8% per cent issue for R. J. Reynolds which was well received, but an oversupply of new paper began to weigh on trading as the week wore on and secondary market prices closed with losses of about 1/2 point. One factor was soundings by Italy for a large issue, which some bankers said could total as much as Ecu 500m.

With the European Investment Bank poised to launch an Ecu issue in Tokyo today such cross-bred bonds continue in vogue. The Asian Development Bank is planning soon to launch a Y25bn Yankee issue in New York. New South Wales has also changed its plans to do a Samural issue. It will launch a dollar bond in the Tokyo market instead.

German Ford still in red

BY OUR FINANCIAL STAFF

FORD of West Germany, which fell into loss last year, does not expect to climb out of the red until 1987. The company, the German offshoot of the U.S. motor group, forecasts continued losses for current year and 1986 but looks to 1987 for a return to profitability.

The German car market offers little encouragement for this year, says Herr Daniel Goedevert, the managing board chairman. He ex-

Framatome share deal

BY DAVID HOUSEGO IN PARIS

THE NEW SHARE structure of Framatome, the French nuclear power plant manufacturer, was agreed in final negotiations over the weekend.

CGE, the nationalised engineering and electronics group, will get 40 per cent of the shares and Dumez, the private construction group 12 per cent.

The new shareholders, which include Electricité de France, the

Banco Filipino ruling

BY OUR FINANCIAL STAFF

THE PHILIPPINE Supreme Court has ordered the central bank's monetary board to suspend liquidation proceedings against Banco Filipino Savings and Mortgage Bank, the country's biggest savings bank.

Banco Filipino was placed under receivership in January. Its liquidation was approved in March because, the central bank said, liabilities at 5.1bn pesos (\$274m) exceeded assets worth 3.9bn pesos.

The court ruling represents a significant victory for Banco Filipino in its long running attempt to stave off liquidation. Before it ran into financial difficulties in 1984, the bank had 80 branches

These Securities having been allocated, this announcement appears as a matter of record only.

August, 1985



THE MORTGAGE BANK AND FINANCIAL ADMINISTRATION AGENCY OF THE KINGDOM OF DENMARK
N.Z. \$50,000,000

16 1/8 per cent. Guaranteed Notes due 1990 Series 108

Unconditionally guaranteed by
THE KINGDOM OF DENMARK

Mitsubishi Finance International Limited

Generale Bank

Morgan Guaranty Ltd

Algemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Creditanstalt-Bankverein

Enskilda Securities

Skandinaviska Enskilda Limited

Goldman Sachs International Corp.

IBJ International Limited

Merrill Lynch Capital Markets

Nederlandse Credietbank N.V.

J. Henry Schroder Wagg & Co. Limited

SwedBank

Amro International Limited

Chemical Bank International Group

Daiwa Europe Limited

Genossenschaftliche Zentralbank AG

Vienna

Hill Samuel & Co. Limited

Kansallis-Osake-Pankki

Mitsubishi Trust and Banking

Corporation (Europe) S.A.

The Nikko Securities Co., (Europe) Ltd.

Svenska International Limited

Swiss Bank Corporation International Limited

Westdeutsche Landesbank

Girozentrale

Privatbanken A/S

Den Danske Bank

Copenhagen Handelsbank A/S

NEW ISSUE

These Notes having been sold, this announcement appears as a matter of record only.

EUROFIMA

European Company for the Financing of Railroad Rolling Stock

U.S. \$100,000,000

10% Bonds Due 1995

Merrill Lynch Capital Markets

Amro International Limited

Bank of Tokyo International Limited

Berliner Handels- und Frankfurter Bank

Credit Suisse First Boston Limited

Deutsche Bank

Girozentrale und Bank der österreichischen Sparkassen

Kleinwort, Benson Limited

Mitsubishi Finance International Limited

Société Générale

Union Bank of Switzerland (Securities) Limited

Westdeutsche Landesbank

Girozentrale

Bank Brusel Lambert N.V.

Banque Paribas Capital Markets

Creditanstalt-Bankverein

Daiwa Europe Limited

Generale Bank

IBJ International Limited

Kredietbank International Group

Nomura International Limited

Swiss Bank Corporation International Limited

S. G. Warburg & Co. Ltd.

July, 1985

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Renewed caution pushes bond prices down

AS AUGUST slid sleepily towards oblivion on Friday, the credit markets suddenly sparked into life and began to question the trends of the last four weeks. It was not an overwhelming change of mood—dealers close-downs officially at 3 o'clock in the afternoon in advance of the Labour Day weekend. But it was enough to push bond prices down by a point and life yields back up to early August levels.

The degree of the price shift may be put down partly to the thinness of the market before the official end of the summer holiday period today. But there were some fair-money pointers as well, relating both to the policies of the Federal Reserve Board.

On the economic front, a batch of figures at the end of the week sent economists scrambling to revise their forecasts for third-quarter growth yet again—but this time in an upward direction. During August the Wall Street consensus gradually shifted away from a rate of real expansion of around 4 per cent to about 3 per cent or even 2½ per cent. Now growth estimates seem to be moving back up to the 3 to 4 per cent range.

UK GILTS

Market still gripped by late summer torpor

THERE was little last week to shake the gilt-edged market out of its recent torpor.

The pound turned in a mixed performance, falling back against the strengthening dollar but rising steadily against its European rivals. And it remained unclear whether the base rate cut anticipated since the beginning of August is any nearer.

The emerging consensus among brokers is that it's a rate cut at least the firm promise of one is a prerequisite for any significant downward shift in gilt-edged yields.

There is less agreement on when such a cut might come. After the disappointment of last month, many are looking to the Conservative Party conference in early October as the cue to the next reduction.

Others believe that the cut will bring on next Tuesday's money supply figures for August, with a good outturn likely to trigger a cut in rates as long as the dollar's recent rebound proves temporary.

Initial forecasts of the growth

U.S. MONEY MARKET RATES (%)						
	Last Friday	1 week ago	4 weeks ago	High	12-month	Low
Fed Funds (weekly average)	7.81	7.74	8.01	11.10	7.10	6.80
Three-month Treasury Bills	7.72	7.78	7.82	10.53	5.81	5.71
Three-month prime CDs	7.32	7.18	7.49	10.53	5.81	5.71
30-day Commercial Paper	7.84	7.78	7.92	11.03	7.23	7.00
90-day Commercial Paper	7.85	7.78	7.98	11.28	7.23	7.00

U.S. BOND PRICE AND YIELDS (%)						
	Last Friday	Change	1 week ago	4 weeks ago	Yield	Chg. on
Seven-year Treasury	100 1/2	-1/2	100 1/2	100 1/2	10.91	10.88
Twenty-year Treasury	101 1/2	-1/2	101 1/2	101 1/2	10.46	10.77
30-year Treasury	101 1/2	-1/2	101 1/2	101 1/2	10.45	10.77
10-year AA+ Financial	100 1/2	-1/2	100 1/2	100 1/2	10.25	10.25
10-year AA Long Industrial	100 1/2	-1/2	100 1/2	100 1/2	11.00	11.05
10-year AA Long Industrial	100 1/2	-1/2	100 1/2	100 1/2	11.25	11.25

Money Supply: In the week ended August 16 M1 rose by \$2.8bn to \$800.8bn.

The item of news which they argue that the statistics appeared to have the most impact on the market—including foreign exchange desks where the dollar strengthened appreciably on Friday—was a significant narrowing in the trade deficit in July, when the figure of \$10.5bn was the lowest since last January.

If this trend were to continue, it would make a hefty impact on the GNP numbers, and some economists are looking for just that on a longer-term basis.

decline in foreign car shipments to the U.S. caused mainly by the snarl up in the parts business of a hauliers' strike.

These developments, however, what gave the trade figures particular relevance were other statistics which seemed to be pointing in a similar direction. New house sales showed a 1.4 per cent jump in July, for example, after a considerable period of stagnation, suggesting that this part of the economy at least is responding to lower interest rates. The leading economic indicators for July, showing a rise of 0.4 per cent, also came in slightly above Wall Street expectations.

The market's renewed caution about the possibility of higher growth, stronger demand for money, and rising rates, is being mirrored by a similarly reawakened hesitation about Fed policy.

Over the past month, Wall Street has acted on the belief that the Fed would not move to tighten up the credit reins because of its anxiety over the economy. The feeling was that the rapid rise in M1—now standing at around \$1bn above the Fed's 1985 target—would be tolerated, particularly, since the

market's renewed caution about the possibility of higher growth, stronger demand for money, and rising rates, is being mirrored by a similarly reawakened hesitation about Fed policy.

Several of the more bearish analysts are pointing out a couple of fairly cogent reasons for not going overboard about the trade figures, notably that the rapid rise in M1—now

standing at around \$1bn above the Fed's 1985 target—would be tolerated, particularly, since the

market's renewed caution about the possibility of higher growth, stronger demand for money, and rising rates, is being mirrored by a similarly reawakened hesitation about Fed policy.

Instead, the market's recent flattening of the yield curve in favour of medium-dated issues has left it

in doubt whether the Bank of England's recent flattening of the yield curve in favour of medium-dated issues has left it

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This announcement appears as a matter of record only.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ISSUE
on a yield basis
of
£100,000,000

9½ PER CENT. LOAN STOCK 2010

Issue Price: 88.466 per cent.

Payable as to £30 per cent. of the nominal amount on application
and as to the balance of the issue price by 24 January, 1986
with interest payable half-yearly on 24 March and 24 September.

Baring Brothers & Co., Limited

County Bank Limited	Hambros Bank Limited
Hill Samuel & Co. Limited	Kleinwort, Benson Limited
Lazard Brothers & Co., Limited	Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited	N. M. Rothschild & Sons Limited
J. Henry Schroder Wagg & Co. Limited	S. G. Warburg & Co. Ltd.

JULY, 1985

This announcement appears as a matter of record only.

Royal Insurance p.l.c.

(Constituted in 1845 and incorporated with limited liability in England under the Companies Acts 1862 to 1900)

£60,000,000

10½ per cent. Notes due 1992

Issue Price: 100 per cent.

Baring Brothers & Co., Limited

BankAmerica Capital Markets Group	Banque Nationale de Paris
Barclays Merchant Bank Limited	County Bank Limited
Deutsche Bank Aktiengesellschaft	Goldman Sachs International Corp.
Hill Samuel & Co. Limited	Kleinwort, Benson Limited
Lloyds Merchant Bank Limited	LTCB International Limited
Morgan Grenfell & Co. Limited	Orion Royal Bank Limited
Swiss Bank Corporation International Limited	S. G. Warburg & Co. Ltd.
Yamaichi International (Europe) Limited	

Akroyd & Smithers PLC
Amro International Limited
Banca Commerciale Italiana
Bank Guizet-ville, Kitz, Bregenz
(Overseas)-Limited
Bank Len International Ltd.
Bank Mees & Hope N.V.
Bank of Montreal
Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Internationale à Luxembourg S.A.
Bayerische Landesbank Girozentrale
Cazenove & Co.
Charterhouse Jephcott PLC
CIBC Limited

Daiwa Europe Limited
DG Bank Deutsche Genossenschaftsbank
Generale Bank
Genossenschaftliche Zentralbank AG
Haus
Girozentrale und Bank der
Austro-Österreichischen Sparkassen
Aktiengesellschaft
W. Greenwell & Co.
Grindlay Branks Limited
Hoare Govett Ltd.
Manufacturers Hanover Limited
Merrill Lynch Capital Markets
E. Mandel soel. Sohn & Co.
Mitsubishi Finance International Limited
Morgan Guaranty Ltd
Nederlandse Middelandse Bank nv

JULY, 1985

This announcement appears as a matter of record only.

Pirelli UK International Finance B.V.

(Incorporated with limited liability in the Netherlands)

£40,000,000

Guaranteed 7½% Convertible Bonds Due 2000

Issue Price: 100 per cent.

Unconditionally guaranteed by



Pirelli UK plc

(Incorporated with limited liability in England)

and certain guaranteeing subsidiaries
and Convertible into Ordinary Shares of Pirelli S.p.A., or
Bearer Participation Certificates or
Bearer Shares of Société Internationale Pirelli S.A.

Baring Brothers & Co., Limited

Credit Suisse First Boston Limited	S. G. Warburg & Co. Ltd.
Algemene Bank Nederland N.V.	Banque Paribas Capital Markets
Bayerische Vereinsbank Aktiengesellschaft	Berliner Handels- und Frankfurter Bank
County Bank Limited	Credito Italiano S.p.A.
Generale Bank	Kleinwort, Benson Limited
Merrill Lynch Capital Markets	Morgan Grenfell & Co. Limited
Morgan Stanley International	Nomura International Limited
J. Henry Schroder Wagg & Co. Limited	Swiss Bank Corporation International Limited
Union Bank of Switzerland (Securities) Limited	

Amro International Limited	Deutsche Bank Aktiengesellschaft	Morgan Guaranty Ltd
Banca Commerciale Italiana	Dresdner Bank Aktiengesellschaft	The Nikko Securities Co., (Europe) Ltd.
Banca Manzardi & C.	Euromobiliare S.p.A.	R. Nixon & Co.
Banca Nazionale del Lavoro	Robert Fleining Securities Limited	Nuovo Banco Ambrosiano S.p.A.
Bank Mees & Hope N.V.	Gefina International Limited	Orion Royal Bank Limited
Banque Bruxelles Lambert S.A.	Genossenschaftliche Zentralbank AG	Philips & Drew
Banque Internationale à Luxembourg S.A.	Reuss	Pierson, Heldring & Pearson N.V.
Banque Nationale de Paris	Goldman Sachs International Corp.	N. M. Rothschild & Sons Limited
Barclays Merchant Bank Limited	W. Greenwell & Co.	Rowe & Pitman
James Capel & Co.	Hambros Bank Limited	Sarasini International Securities Limited
Cazenove & Co.	Hill Samuel & Co. Limited	Simon & Coates
Commerzbank Aktiengesellschaft	Hoare Govett Ltd.	Strauss Turnbull & Co.
Compagnie de Banque et d'Investissements, CBI	Kreditbank N.V.	Vickers da Costa Ltd.
Credit Commercial de France	Lloyds Merchant Bank Limited	Westdeutsche Landesbank Girozentrale
Crédit Lyonnais	L. Messel & Co.	Yamichi International (Europe) Limited
Daiwa Europe Limited	Mitsubishi Finance International Limited	de Zoete and Bevan
Samuel Montagu & Co. Limited		

JULY, 1985

This announcement appears as a matter of record only.

crédit foncier de france

(Incorporated in France with limited liability)



PLACING

on a yield basis

of

£100,000,000

10½ PER CENT. GUARANTEED SERIAL LOAN STOCK

2011, 2012, 2013 and 2014

unconditionally guaranteed, as to payment of principal, premium (if any) and interest, by

The Republic of France

Issue Price: 89.596 per cent.

Payable as to £25 per cent. of the nominal amount on acceptance
and as to the balance of the issue price by 10 December, 1985
with interest payable half-yearly on 18 February and 18 August.

Baring Brothers & Co., Limited

Barclays Merchant Bank Limited	County Bank Limited
Hambros Bank Limited	Hill Samuel & Co. Limited
Kleinwort, Benson Limited	Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited	S. G. Warburg & Co. Ltd.
Banque Nationale de Paris plc	

JUNE, 1985

CORPORATE FINANCE

Low-cost borrowing via a convertible

WHEN IS a bond not a bond? Answer: when it's a convertible. Interest in Eurobonds convertible into shares has been growing as the world's stock markets have boomed. And with the outlook for some bond markets unclear, bond investors are looking for the excitement of an equity play.

Convertibles offer the best of both worlds. Holders can exchange their bonds for shares at a pre-determined price set when the bond is issued usually at a premium to the then share price. As bonds they offer a higher yield than the shares would and their performance can be better than straight bonds if the share price is rising.

But convertibles combine disadvantages too. The yield is lower than on straight bonds so that there is less protection if the shares are falling. Investors would do better buying the shares at the outset if they ex-

pect them to rise. As a result they often fall between the desks of the fixed interest and equity fund managers. Says a bond manager, "I leave convertibles to our equity guys," while the equity fund managers answer, "Why should we pay a premium to buy the shares?"

A good illustration of the returns convertibles can give is demonstrated by an issue made in 1982 by Comcast, the U.S. cable television company. The shares have moved up fast and are now above the 98.50 conversion price. Investors have been taking an 8 per cent yield meanwhile compared with an under 1 per cent yield on the shares.

The company has now called that issue but has made another, this time with a 7 per cent coupon. The conversion price was set at a 28.2 per cent premium to the prevailing

share price. Even if the share price keeps rising it will be some time before it is worth converting.

But what happens if the shares run out of steam? Comcast included a put option for investors so that they can redeem the bonds after five years at a price of 118.25, giving a yield of 9.98 per cent. That provides some protection against a fall in the shares.

Put options like these have proved popular with investors, though not so much with the borrowers. "The chance of the put being exercised is not something you stress to borrowers," says a banker involved in the Comcast deal.

A number of recent convertible issues have caught investors' attention and drawn heavy demand. As well as Comcast's deal, an issue for The Limited, the U.S. women's clothing chain, also had a success with a \$50m convertible

paying a 6.6 per cent coupon with a put option to give a 9.48 per cent yield after five years.

U.S. companies are by no means alone as convertible bond issuers. Most prolific are Japanese companies which are active in the Swiss franc and Euro dollar bond markets. Often these issues have small coupon spreads—around 5 per cent—meaning that investors can quickly make a profit on the shares if the Tokyo stock market is rising.

The Japanese city banks are now allowed to make convertible bond issues in the Eurobond market and so far three, Mitsubishi Bank, Sumitomo Bank and Fuji Bank have done so. All have met with success. European investors are often keen to buy Japanese convertibles because they can have difficulty in buying Japanese equities direct.

It is believed that many of

the issues from Japanese companies are converted within a few months, and borrowers soon return to launch another deal.

The attractions to the borrowers are clear. Funds can be raised at a cost well below coupons on fixed-rate issues and some companies could be forced to look to make a straight Eurobond issue easy. Coupons in the Eurodollar sector of around 7 per cent on convertibles are much cheaper than the 10.1 per cent top-name borrowers are paying for fixed-rate funds. In the Swiss franc market convertible issues now pay 2 per cent while good quality borrowers are paying 5 per cent for fixed-rate issues.

Though the coupons are higher than the dividends they would pay on new shares, through a convertible they can issue shares at a premium rather than a discount.

Maggie Urry

Sentrachem falls into heavy loss

By Tony Hawkins in Johannesburg
SENTRACHEM, the South African chemicals group, ran up a loss of R24.4m (US\$3m) in the year to June, 1985, after earning a profit of R19.1m in 1984.

The dramatic swing in Sentrachem's fortunes is attributable to high interest costs and huge operating losses at its Alfene synthetic rubber plant where losses totalled R146m.

The Alfene plant came on stream when world rubber prices were falling and synthetic rubber plants were being closed around the world. Mr David Marlowe, its managing director, warned that the plant is unlikely to be profitable for another 10 years. Group foreign exchange losses totalled R26m.

Although turnover rose 12 per cent to R812m, net income before financing costs fell 44 per cent to R44.8m. No dividend has been paid and none will be declared in 1985-86.

The next reporting period will be for nine months to March, 1986. The two key variables that will determine group profitability are the rand exchange rate and domestic interest rates.

Dutch banks and insurers to move closer

BY LAURA RAUN IN AMSTERDAM

THE DIVISIONS between banking and insurance in the Netherlands will diminish significantly by 1987 following government initiatives aimed at keeping the Dutch competitive with foreign financial institutions.

Large banks will be allowed to take over small insurers and large insurance companies will be permitted to acquire small banks under the recommendations from Mr H. Onno Rooding, the Finance Minister.

Discretion about what consti-

tutes a "small" bank or insurer will be left to the Finance Ministry and the central bank, apparently leaving wide scope for a mingling of banking and insurance.

At the moment, banks can own no more than 15 per cent of an insurance company and vice versa, although banks can engage in insurance brokering while insurers can offer long-term deposits in the form of annuities.

The demarcation line, how-

ever, always has been a "little arbitrary," concedes the Finance Ministry. They were blatantly blurred last year with the rescue of Westland-Utrecht mortgage bank by National Nederlanden, the largest Dutch insurance company.

Mr Rooding's proposals are aimed at giving the Dutch a edge with which to compete with the rapidly growing competition from European and American financial institutions.

Because of the openness of the Dutch economy, foreign financial institutions have made

sizeable inroads into the domestic market. Foreign banks now claim at least 25 per cent of the market while foreign insurers account for about 40 per cent of all insurance companies.

Still further loosening of Dutch financial regulations also has been hinted at in response to West Germany's liberalisation of capital markets. The Dutch centre-right government has been pushing for faster deregulation of industry in general.

Norwegian shipping line lifts first-half earnings

BY FAY GJESTER IN OSLO

LEIF HEIGH, the Norwegian shipping group, reported higher freight earnings and operating profits for the first half of 1985 and forecasts increased profits for the year as a whole.

It attributes the increase to the phasing-in of new tonnage, coupled with continued rationalisation and an improved performance by its liner services. The high value of the dollar was also a positive factor.

Leif Heigh's fleet at end-June comprised 44 ships totalling about 2.7m tonnes deadweight.

Freight earnings rose to Nkr 1.7bn (320m) from Nkr 1.4bn and operating profits, before depreciation and financial items, were Nkr 408m against Nkr 272m.

For the whole of 1985 operating profits are forecast at Nkr 750m, compared with Nkr 750m in 1984. But fluctuations in the value of the dollar could affect the result, the group stresses.

Leif Heigh's fleet at end-June comprised 44 ships totalling about 2.7m tonnes deadweight.

Major reverse for South African insurance group

BY JIM JONES IN JOHANNESBURG

PROTEA ASSURANCE, the South African subsidiary of the Sun Alliance group, increased premium income and profits in the six months to June, largely because of a merger with Phoenix Assurance's South African arm.

Although results are not strictly comparable, gross premium income was R77.2m against R40.8m in the first half of 1984. Pre-tax profits rose to R5.77m in the first half of this year from R4.8m. The interim operating loss increased to R2.27m from R1.58m.

Underwriting results were worse than in the previous year since fire premiums were particularly inadequate to meet normal losses.

Guardian National, the 51 per cent owned subsidiary of Guardian Royal Exchange, echoed the view expressed by Protea's board. "Guardian's gross short-term reinsurance income increased to R57.7m in the first half of this year from R44.8m. The interim operating loss increased to R2.27m from R1.58m.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Avg. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Rockefeller Center (c) (d) 5	335	2000	15 1/2	8	100	Goldman Sachs	
Rockefeller Center (d) 8	730	2000	18 1/2	8	100	Goldman Sachs	
Fuji Bank 8	100	2000	15	(2 1/4)	100	Fuji Int'l Fin.	
Fuji Bank 8	20	2000	15	(2 1/4)	100	Fuji Int'l Fin. (H.Kong)	
Japan Acceptance Corp. (a) 7 1/2	120	1997	12	10	100 1/2	Salomon Brothers	8.803
Japan Acceptance Corp. (a) 7 1/2	120	1992	7	10	100 1/2	Orion Royal Bank	
Japan Acceptance Corp. (a) 7 1/2	120	1993	8	10 1/2	100 1/2	LTCB Int.	8.845
Philippines 7	100	1993	8	10 1/2	100 1/2	CSFB	10.250
General Elec. Credit (a) 7	200	1998	9	9 1/2	100 1/2	Mitsubishi Fin. Int.	9.823
Tenaco Capital 7	250	1998	9	10	100 1/2	Salomon Sachs	9.873
GMAC 7	250	1992	7	8	100 1/2	SECI	10.051
GMAC 7	100	1997	12	8 1/2	100	CSFB	
GMAC Acceptance 7 1/2	75	1992	7	10 1/2	100 1/2	Wood Candy	10.225
GMAC (Canada) 7	75	1998	10	10 1/2	100 1/2	Orion Royal Bank	10.708
Ford Credit Canada 7	75	1992	7	10 1/2	100 1/2	Salomon Sachs	10.750
Japan Acceptance Corp. 7	25	1992	7	10 1/2	100	J. H. Schroder Wag.	13.517
CAINTELL DOLLARS							
Kellog Co. 7	30	1998	3	12 1/2	100 1/2	Salomon Brothers	12.548
TransCanada Pipe 7	40	1998	3	12 1/2	100 1/2	Montgomery Ward	13.427
Papua New Guinea 7	50	1990	5	13	100 1/2	Orion Royal Bank	12.753
Total Australia Fin. 7	50	1990	5	13	100 1/2	J. H. Schroder Wag.	13.517
D-MARKS							
Telef. Sait. 7 1/2	35	1992	8	3	100	Bausche Bank	3.000
American Express 7 1/2	20	1990	8	8 1/2	100 1/2		
World Bank 7 1/2	200	1992	7	6 1/2	100 1/2	DB Bank	6.338
SWISS FRANCS							
Mitsubishi Metal 7 1/2	150	1990	—	1%	100	SBC	1.375
Mitsubishi Metal 7 1/2	100	1993	—	2%	100	USIS	5.375
MetLife 7 1/2	100	1993	—	3	100	Credit Suisse	3.802
Bank Dresdner 7 1/2	50	1992	—	(3 1/4)	100	Bank Dresdner, K.B.	
Bank Dresdner 7 1/2	120	1993	—	(3 1/4)	100	Credit Suisse	
Bank Dresdner 7 1/2	120	1993	—	(3 1/4)	100	Bank Dresdner, K.B.	
Bank Dresdner 7 1/2	120	1993	—	(3 1/4)	100	Credit Suisse	
Bank Dresdner 7 1/2	120	1993	—	(3 1/4)	100	Bank Dresdner, K.B.	
Bank Dresdner 7 1/2	120	1993	—	(3 1/4)	100	Credit Suisse	
Bank Dresdner 7 1/2	120	1993	—	(3 1/4)	100	Bank Dresdner, K.B.	
Japan Elec. Computer 7 1/2	50	1990	—	5 1/2	100 1/2	Bank Paribas (Suisse)	5.558
EDTA							
U.S. Express 7	125	1991	8	8 1/2	100	Morgan Guaranty	8.825
World Bank 7	125	1993	8	8 1/2	100 1/2	DB Bank	8.581
World Trade Fin. (HK) 7	50	1991	5 1/2	8 1/2	100	Banque Paribas	8.750
Int. Bank of Finland 7	60	1995	8	8	100	Kansallis-Osake-Pank.	9.000
FRANC FRANCS							
Mobile Corp. 7	500	1990	5	11 1/2	100	Societe Generale	11.125
DAIMLER-BENZ							
LMB Finance 7	200	1990	8	8 1/2	100 1/2	Swedbank	9.777
World Bank 7	225	1992	7	10	100 1/2	DB Bank	8.472
MOROCCAN DIRHAM							
Den Natura Vertes 200	1990	—	5	18	—	Christiania Bank	
CORPORATION							
World Bank 7 1/2	100	1990	8	8 1/2	100 1/2	Robobank Nederland	6.568
LUXEMBOURG							

BRITISH AEROSPACE

Public Limited Company

"Overall the half-year's results are well up to our expectations..."

"...In the Prospectus issued at the time of the Offer for Sale we expressed some caution for the near term... Subsequent developments encourage us now to be somewhat more optimistic... We have every confidence that the Company will go from strength to strength and that it has a sound future."

Sir Austin Pearce, Chairman

- ▲ Pre-tax profits up 21% to £68.3m
- ▲ Sales up 22% to £1,308m
- ▲ Earnings per share up 17% to 29.7p
- ▲ Dividend up 10.5% to 5.8p

Interim results for 6 months to 30th June 1985

	1st half 1985 (£m)	1st half 1984 (£m)	Full year 1984 (£m)
Turnover	1,308	1,076	2,468
Trading Profit	86	82	166
Profit before Taxation	68	56	120
Profit after Taxation	62	51	108
Retained Profit	48	41	81
Earnings per Share (on net basis)	29.7p	25.3p	53.5p

Copies of the full statement will be sent to all shareholders. Further copies are available from: The Secretary, British Aerospace Public Limited Company, 100 Pall Mall, London SW1Y 5HR.

BRITISH AEROSPACE
...up where we belong

British Aerospace Public Limited Company, 100 Pall Mall, London.



BARCLAYS OVERSEAS INVESTMENT COMPANY B.V.
U.S. \$350,000,000
Guaranteed Floating Rate Notes due 2004

Notice is hereby given that the Rate of Interest for the Interest Period from 4th September 1985 to 4th March 1986 is 8 1/4 per cent per annum and that on 4th March 1986 the amount of interest payable in respect of each U.S. \$5,000 principal amount of the Notes will be U.S.\$208.97.

Barclays Merchant Bank Limited
2nd September 1985 Agent Bank

PORTSMOUTH BUILDING SOCIETY

Notice is hereby given in accordance with the Society's Rules that as from 1st September 1985 the following rates of interest per annum will be paid on the various types of investment account.

Ordinary Share	7.15%	10.21%
7 Day Share	8.70%	12.43%
30 Day Share	9.15%	13.07%
90 Day Share	9.80%	14.00%
3 Year Period Share	10.00%	14.29%
5 Year Capital Builder	10.20%	14.57%
Subscription Share	8.65%	12.36%

The Rate of Interest on all discontinued issues of Notice and Period Shares will be reduced by 1.25%.

All rates variable with Ordinary Share. Account amount £200,000,000.

Head Office: 275 London Road, North End, Portsmouth, Hants. Tel: 0705 662111

Portsmouth Building Society
Established 1861
Member of the Building Societies Association and its Investors Protection Scheme.

Standard Bank Import and Export Finance Company Limited £50,000,000

Guaranteed Floating Rate Notes due 1992

Interest and Dividends paid quarterly in 12 monthly instalments.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1985.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1986.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1987.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1988.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1989.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1990.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1991.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1992.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1993.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1994.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1995.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1996.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1997.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1998.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 1999.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2000.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2001.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2002.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2003.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2004.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2005.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2006.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2007.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2008.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2009.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2010.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2011.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2012.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2013.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2014.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2015.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2016.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2017.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2018.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2019.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2020.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2021.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2022.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2023.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2024.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2025.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2026.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2027.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2028.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2029.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2030.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2031.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2032.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2033.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2034.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2035.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2036.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2037.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2038.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2039.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2040.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2041.

Interest rate: 12.00% per annum.

Interest payment date: 28th November 2042.

Interest rate

INTERNATIONAL APPOINTMENTS

Nissin chairman quits at Wheeling-Pittsburgh

BY TERRY DODSWORTH IN NEW YORK

THE deep boardroom divisions at Wheeling-Pittsburgh, the strike-hit U.S. steelmaker, have been revealed by the abrupt resignation of Mr Yuzuru Abe, chairman of Nissin Steel of Japan and one of three outside directors on the board.

Nissin acquired a 10 per cent stake in the U.S. group last year with the objective of developing a U.S. bridgehead. At that time the companies had big plans to use Japanese technology to revamp Wheeling's operations, initially with a joint \$50m plant to make galvanized steel sheet.

Since then, however, Wheeling-Pittsburgh's worsening financial plight, followed by its recent decision to file for bankruptcy, has led to disagreements between the two companies.

Dr Kichi Mochizuki, president of Nissin's U.S. subsidiary in New York, says that the situation is "very sensitive," and refuses to comment on what

will become of the Nissin stake in Wheeling. But he concedes that the Japanese company is "not happy" with the management position that Mr David Carson, the chairman of the U.S. group, has taken.

In addition, the new joint-venture plant in West Virginia has been deferred for the time being.

Two other outside directors of wheeling have also resigned in the past few weeks, raising fears on Wall Street that the crisis caused by the combination of the bankruptcy court's decision to allow the wage reductions was dismissed last week, the steelworkers are planning a more far-reaching manoeuvre to appeal again.

They also say they have no intention of going back to work until the company returns to the collective bargaining table.

Meanwhile, the Japanese, untroubled by such gladiatorial labour battles at home, are sitting on a substantial loss on their shares, down from an acquisition price of \$35 a share to around \$8 a share.

Geh takes over at D&C Bank

By Wong Sufong in Kuala Lumpur

MR GEH IK CHEONG, a prominent Malaysian banker and businessman, has taken over as executive chairman of Development and Commercial Bank, replacing 85-year-old Tua H. S. Lee, the bank's founder, and Malaysia's first Finance Minister.

The appointment ends months of lobbying for control of the bank by two brothers, the Lee family, now headed by Senator Alex Lee, son of Tua H. S. Lee, and Daruk Syed Kechik, the wealthy Malay businessman.

The group's own about 33 per cent each in D and C Bank.

Mr Geh's appointment is seen as a compromise. He is the son of the founder of the giant concern, Permodomal Nasional, the Malaysian government-owned national investment corporation, which holds a stake of about 12 per cent in the bank.

Before joining D and C, Mr Geh headed several large companies controlled by the Kuk family in Malaysia, including the publicly listed Perlin Plantations. He sits on the board of Permodomal Nasional.

D and C Bank began operations 20 years ago, and until five years ago was considered a "Chinatown" bank, serving petty traders and Chinese clients. It is now Malaysia's fifth largest local bank, with shareholders' funds at last December amounting to 162m ringgit (\$30.7m), after-tax profits at 32.7m ringgit and with total assets of 415m ringgit.

Meanwhile, Oriental Bank has appointed Mr Zainuddin Haji Zain as its new chief executive, replacing Mr Mohamed Ibrahim, who has resigned.

Mr Zainuddin was formerly chief executive of Pertama Baring Sazwa merchant bank

Head-elect at Utd Virginia

BY WILLIAM HALL IN NEW YORK

MR DOUGLAS LUDEMAN, who was the overall chief executive of United Virginia Bankshares next month, has resigned after disclosing that he invested in shares of several banks in which his company was buying a stake.

Mr Ludeman, president of Virginia's second biggest banking group, had disclosed his investment in July when he sold his shares back to UVB at cost. In a statement accompanying his resignation he said that he had hoped that his earlier action would have put

an end to the affair, "but that apparently has not been the case," he continued.

United Virginia, one of the most profitable and highly regarded banks in the state, said that Mr Ludeman's share purchases "violated UVB's standards of conduct prohibiting persons' use of confidential information, conflicts of interest and the appearance of impropriety."

Mr Ludeman said that he had "absolutely no intention of taking advantage of my position

at UVB for personal gain," and did not feel the corporation had been injured as a result of his investments in three bank holding companies at a time when UVB was also investing in share of two of the companies.

Mr Richard G. Tilghman, aged 44, will take over as chief executive on the retirement of Mr Joseph Jennings, the current chairman and chief executive. Mr Jennings will now confine himself as chairman of the board and its executive committee but will not serve as an officer of the corporation.

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In 1965 he was transferred to Du Pont's Wilmington, Delaware headquarters, as staff assistant to the production manager for the textile fibre department, and the following year became product superintendent at the Old Hickory, Tennessee. In 1976, he was made manager of the corporate plans department and in January 1983 was made an executive vice president and director of Du Pont.

Mr Woddard is a native of North Carolina and graduated from North Carolina State University with a B.S. degree in industrial engineering in 1956.

print on the chemicals group.

Seagram, the Canadian liquor group has a 22.5 per cent stake in Du Pont—which it acquired at the time of the battle for control of Conoco—and is known to want to increase its stake in the chemicals group. A number of analysts say that Mr Woddard's appointment bears the mark of Seagram's influence on the company, the recent performance of which has not always matched its earlier reputation as one of America's best managed companies.

Mr Woddard is a native of North Carolina and graduated from North Carolina State University with a B.S. degree in industrial engineering in 1956.

chief executive next May 5. Mr Woddard will replace Mr Heckert, who steps in the deputy chairman's seat ahead of next May's transition.

Mr Jefferson said that the new appointments are intended to "pave the way for an orderly management transition at a time of important changes to improve the competitive position of our business."

While Mr Heckert will be running the company for the next four years, analysts say that if Mr Woddard eventually succeeds to the chairmanship, as they expect, he will have longer than most recent Du Pont chairmen to put his im-

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chief executive next May 5. Mr Woddard will replace Mr Heckert, who steps in the deputy chairman's seat ahead of next May's transition.

Mr Jefferson said that the new appointments are intended to "pave the way for an orderly management transition at a time of important changes to improve the competitive position of our business."

While Mr Heckert will be running the company for the next four years, analysts say that if Mr Woddard eventually succeeds to the chairmanship, as they expect, he will have longer than most recent Du Pont chairmen to put his im-

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WORLD STOCK MARKETS

Indices

NEW YORK

DOW JONES

	1985 Since Comp's					
	Aug. 30	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25
	High	Low	High	Low	High	Low
Industrial	1354.15	1351.15	1351.15	1352.47	1317.55	1359.54
Home Bnd	80.22	80.38	80.10	79.99	79.93	80.65
Transport.	850.66	801.49	867.27	868.55	869.78	872.25
Utilities	139.57	139.83	160.03	159.62	159.01	160.91
TradingVol	0.004	0.13	0.13	0.13	0.13	0.13
e-Day's High	1342.41	(1340.05)	low	1082.37	(1082.16)	1082.37
Industrial div. yield %	4.06	4.68	4.65	4.65	4.65	4.65

STANDARD & POORS

1985

	Aug. 30	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	High	Low	High	Low
Industries	209.69	210.01	209.69	209.07	208.19	215.83	208.94	215.83	215.83	215.83
Com's. Inc.	188.63	188.93	188.63	188.11	187.51	188.63	188.11	187.51	188.63	188.63
Industrial div. yield %	5.72	5.72	5.72	5.72	5.72	5.72	5.72	5.72	5.72	5.72
Long Gov. Bond yield	10.39	10.39	10.39	10.39	10.39	10.39	10.39	10.39	10.39	10.39

NEW YORK ACTIVE STOCKS

	Aug. 29	Aug. 28	Aug. 27	Aug. 26	Aug. 25	Aug. 24	Aug. 23	High	Low	
Metals & Minerals	111.49	112.48	112.48	112.48	112.48	112.48	112.48	112.48	112.48	112.48
Otis, Inc.	201.00	200.70	200.70	200.70	200.70	200.70	200.70	200.70	200.70	200.70
Phillips Pet.	142.00	142.00	142.00	142.00	142.00	142.00	142.00	142.00	142.00	142.00
Montreal Portfolio	138.97	138.4	138.7	139.35	139.35	139.35	139.35	139.35	139.35	139.35

* Saturday August 31: Japan Nikkei-Dow 12,716.52, TSE 1,077.58.

AUSTRALIA

1985

Since Comp's

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Aug. 29 Aug. 28 Aug. 27 Aug. 26 Aug. 25 Aug.

Prices at 3pm, August 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

WE REGRET that closing share prices from Nov. 21. Am-
erica - with the exception of Montreal - were not avail-
able for this edition due to a communication failure.

100-000-Page 3

NYSE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div	P	52 Wk	12 Month High	Low	Close	Prev Close	12 Month High	Low	Stock	Div	P	52 Wk	12 Month High	Low	Close	Prev Close	12 Month High	Low	Stock	Div	P	52 Wk	12 Month High	Low	Close	Prev Close					
104	104	Polytr	40	3.26	26	154	114	114	+1	127	127	Scotlnd	2.4	14	203	324	324	324	484	505	505	-5	505	505	Travco	0.04	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10
151	151	Polytr	42	1.20	26	102	102	102	+1	162	157	Scotlnd	2.4	12	193	56	56	56	579	579	579	+1	579	579	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
152	152	Polytr	40	2.26	26	173	153	153	+1	145	245	Scotlnd	2.4	12	182	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
153	153	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
154	154	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
155	155	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
156	156	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
157	157	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
158	158	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
159	159	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
160	160	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
161	161	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
162	162	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
163	163	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
164	164	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
165	165	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
166	166	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
167	167	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
168	168	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
169	169	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
170	170	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
171	171	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
172	172	Polytr	40	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
173	173	Polytr	42	1.11	26	125	103	103	+1	127	127	Scotlnd	2.4	12	124	324	324	324	327	327	327	+1	327	327	Tricor	0.02	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
174	174	Polytr	40	1.11	26	125	103	103																										

